

16 April 2021

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

(85 pages by email)

Dear Madam,

ANNUAL REPORT AND NOTICE OF AGM

I attach the Company's Annual Report for the year ended 31 December 2020 and a copy of the Company's Notice of Annual General Meeting to be held on 18 May 2021 at 11.00 am as sent to shareholders today.

Shareholders are encouraged to attend the AGM virtually via a live Zoom webcast and will be able participate in the AGM and ask questions and make comments in relation to the business of the AGM via the Zoom webcast. Shareholders are encouraged to vote by submitting a Proxy Form as all voting will be by way of a poll and shareholders may vote in real time at the AGM via the Zoom webcast.

For further information please contact:

Richard Edwards
Company Secretary
redwards@nickelmines.com.au
+61 2 9300 3311

Cameron Peacock
Investor Relations & Business Development
cpeacock@nickelmines.com.au
+61 439 908 732

pjn10755

NICKEL

MINES LIMITED

NICKEL MINES LIMITED
and its controlled entities
A.B.N. 44 127 510 589

ANNUAL REPORT 2020



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CHAIRMAN'S LETTER



Dear Fellow Shareholders,

It is with great pleasure I present to you the Nickel Mines Limited ('the Company' or 'Nickel Mines') Annual Report for the financial year ended 31 December 2020.

The onset of the global COVID-19 pandemic in late January 2020 has had far reaching implications across every facet of our lives with its impact still being felt to this day. It goes without saying the pandemic has created numerous operational and logistical challenges for nearly all businesses, including ours.

It is against the backdrop of these enormous challenges that I am pleased to report on what was a landmark year for Nickel Mines. The year saw the Company embark on two material transactions both of which have delivered enormous value for shareholders. The first was the Company electing to exercise its contractual rights to increase its equity interests in the Hengjaya Nickel and Ranger Nickel RKEF projects from 60% to 80%. With both projects operating at approximately 30% above nameplate capacity, the increase to an 80% interest in each saw the Company's attributable nickel metal production comfortably surpass 30,000 tonnes per annum and firmly establish Nickel Mines as a globally significant nickel producer.

The second transaction was the Company's agreement to acquire an 80% interest in the Angel Nickel project, a development project within the Indonesia Weda Bay Industrial Park ('IWIP') on Halmahera Island in Indonesia's North Maluku province. Comprising 4 next generation RKEF lines and a 380MW captive power plant, Angel Nickel represent a transformative opportunity for Nickel Mines that will see the Company geographically diversify its operations and more than double its existing nameplate nickel metal production capacity.

I am also delighted to report on the successful expansion activities undertaken at the Hengjaya mine over the last 12 months. A modernised camp facility for our valued workers, the establishment of operations at the Central Pit and a significantly expanded jetty capacity are just some of the initiatives that will enable us to significantly increase production levels and unlock the full strategic value of the world class Hengjaya mine nickel laterite resource.

Record levels of mine production in the December quarter are testament to the level of work that has gone into transforming the Hengjaya mine into an operation now capable of being a multi-decade supplier of nickel ore to the Indonesia Morowali Industrial Park.

The significant growth we have seen across both our mine and RKEF interests this year would of course not have been possible without you, our shareholders. Across two separate rights issues, shareholders committed nearly A\$600M in new equity funding which enabled us to embark on the abovementioned opportunities and initiatives that have delivered tremendous value to the Company. We sincerely thank you for your support.

This year also marked the payment of the Company's maiden interim dividend of A\$0.01 per share which has recently been followed up with a final dividend payment of A\$0.02 per share. With the strong operational cash flows being generated from the Company's RKEF projects we are delighted to now be in a position to share with our shareholders, in the form of dividend payments, some of the success of the Company's operations.

The last 12 months were remarkably busy but highly rewarding. With our RKEF assets now well established, a development project underway and a broadly positive outlook across the global nickel market we have every reason to look forward to 2021 with great optimism.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Neale'. The signature is fluid and cursive, written over a light blue horizontal line.

Robert Neale
Chairman

REVIEW OF OPERATIONS



Aerial view showing Hengjaya Nickel and Ranger Nickel's RKEF lines

Principal Activities and Review of Operations

(All amounts in US\$ unless otherwise stated)

The operating profit of Nickel Mines Limited and its controlled entities (together 'the Group') for the year ended 31 December 2020 after income tax was \$153,698,840 (6 months to 31 December 2019: \$91,280,434).

Nickel Mines Limited ('the Company' or 'Nickel Mines') was incorporated on 12 September 2007, under the laws of the State of New South Wales, Australia. The Group has become a globally significant, low cost producer of nickel pig iron ('NPI'), a key ingredient in the production of stainless steel. The Group's principal

operations, located in Central Sulawesi, Indonesia, are the Hengjaya Nickel and Ranger Nickel rotary kiln electric furnace ('RKEF') projects located within the Indonesia Morowali Industrial Park ('IMIP'), and the Hengjaya mine. At year end, the Company held an 80% interest in each RKEF project and the Hengjaya mine, a large tonnage, high grade nickel laterite deposit in close proximity to the IMIP. Additionally, the Company has executed an agreement to acquire an 80% interest in an additional four RKEF lines and a 380MW captive power plant ('Angel Nickel').

During and following the year ended 31 December 2020 significant milestones were achieved as follows:

HIGHLIGHTS

- The Company's Hengjaya Nickel and Ranger Nickel projects produced a combined 295,896.7 tonnes of NPI, containing 43,621.1 tonnes of nickel metal equivalent. A total of 43,708.3 tonnes of nickel metal equivalent were sold during the year. EBITDA from RKEF operations for 2020 was \$196.7M.
- In January 2020, Hengjaya Nickel commenced routine monthly repatriation of funds to its Singaporean holding company, Hengjaya Holdings Private Limited, which, in turn, distributes the funds to its shareholders, Nickel Mines and Shanghai Decent. During the year, \$61.5M was repatriated to Nickel Mines and \$26.9M was repatriated to Shanghai Decent.
- In April 2020, Ranger Nickel commenced routine monthly repatriation of funds to its Singaporean holding company, Ranger Investment Private Limited, which, in turn, distributes the funds to its shareholders, Nickel Mines and Shanghai Decent. During the year \$46.0M was repatriated to Nickel Mines and \$16.5M was repatriated to Shanghai Decent.
- At the Company's AGM held in May 2020, the Company's shareholders approved the increase in the Company's interest in the Hengjaya Nickel and Ranger Nickel projects from 60% to 80% for \$120M, plus 20% of undistributed retained earnings attributable to Shanghai Decent Investment (Group) Co., Ltd and its associates ('Shanghai Decent'). Consideration was funded via the completion of a A\$231M (equivalent to approximately \$155M) 1 for 3.6 accelerated non-renounceable entitlements offer ('ANREO'), completed in June 2020. The Company completed these acquisitions on 30 June 2020.
- In August 2020 the Company declared a maiden interim dividend of A\$0.01 per share, being a distribution of A\$21.3M. Subsequent to year end the Company declared a final dividend of A\$0.02 per share, being a distribution of A\$50.3M.
- A total of 870,503 wet metric tonnes ('wmt') of nickel ore were mined at the Hengjaya mine, with an average stripping ratio of 1.6:1 BCM/wmt. A total of 795,650 wmt were sold during the year at an average grade of 1.82% nickel. Additionally, a further 368,958 wmt of limonite were stockpiled for eventual delivery to HPAL plants being built at the Indonesia Morowali Industrial Park.
- During the year, the Company made capital repayments of \$20M against the Ranger debt facility, reducing the outstanding facility balance to \$45M at year end. Subsequent to the end of the year, the Company fully repaid the Ranger debt facility, approximately 41 months ahead of schedule.
- In November 2020, the Company executed a binding Definitive Agreement with Shanghai Decent for Nickel Mines to acquire a 70% equity interest in the Angel Nickel project, which consists of four 54 KVA RKEF lines with an annual nameplate production capacity of 36,000 tonnes of nickel metal and a 380MW captive power plant for total payment of \$490M. To fund its initial 30% interest in Angel Nickel, in December 2020 the Company successfully completed a fully underwritten 2 for 11 ANREO at A\$0.94 per share to raise A\$364M (equivalent to approximately \$275M). The entitlement offer resulted in the issue of 386,929,409 new fully paid ordinary shares in the Company. The transaction was approved by Shareholders at a General Meeting held on 19 January 2021. Subsequently, the Company secured the right to acquire an additional 10% interest in Angel Nickel for \$70M and a \$6M discount for early payment of the second tranche acquisition consideration if paid before 30 June 2021. In February 2021, the Company completed the initial acquisition of a 30% interest in Angel Nickel by payment of \$180M which, together with a \$30M deposit which had been paid from existing cash reserves, completed the first acquisition consideration payment of \$210M.

RKEF OPERATIONS (80% interest held by Nickel Mines)

For the first six months of 2020, Nickel Mines held a 60% interest in the Hengjaya Nickel and Ranger Nickel RKEF projects. Following the completion of an ANREO in June 2020, Nickel Mines exercised its option to acquire a further 20% of the shareholder loans and issued and paid-up share capital of Hengjaya Holdings Private Limited and Ranger Investment Private Limited, being the respective Singaporean domiciled holding companies that wholly own PT Hengjaya Nickel Industry and PT Ranger Nickel Industry, the Indonesian PMA¹ companies that in turn own 100% of the Hengjaya Nickel and Ranger Nickel projects.

A summary of production from the Hengjaya Nickel and Ranger Nickel projects for the year ended 31 December 2020 is as follows:

		Hengjaya Nickel	Ranger Nickel	Total
NPI Production	tonnes	145,926.7	149,970.0	295,896.7
NPI Grade	%	14.7	14.7	14.7
Nickel Metal Production	tonnes	21,514.1	22,107.0	43,621.1
Nickel Metal Production Attributable to Nickel Mines	tonnes	15,080.9	15,536.9	30,617.8
Nickel Metal Sold	tonnes	21,880.0	21,828.3	43,708.3

¹ PMA company means a 'Penanaman Modal Asing', an Indonesian foreign investment company in which foreign share ownership of up to 100% is allowed.

REVIEW OF OPERATIONS

Hengjaya Nickel (80% interest held by Nickel Mines)

During the year, Hengjaya Nickel produced 21,514.1 tonnes of nickel metal at an average NPI grade of 14.7% at a weighted average cash cost of \$7,340/tonne of nickel metal.

HENGJAYA NICKEL		March 2020 Quarter	June 2020 Quarter	September 2020 Quarter	December 2020 Quarter	Total
NPI Production	tonnes	40,076.8	34,078.3	33,381.0	38,390.6	145,926.7
NPI Grade	%	14.2	14.6	15.4	14.9	14.7
Nickel Metal Production	tonnes	5,671.7	4,980.2	5,143.3	5,718.9	21,514.1
Cash Costs	US\$/t Ni	7,247	7,342	7,139	7,612	7,340
Nickel Metal Sold	tonnes	6,293.2	4,150.4	5,781.6	5,654.8	21,880.0

Nickel Mines' attributable nickel metal production from Hengjaya Nickel for the year ended 31 December 2020 was 15,080.9 tonnes.

For the year ended 31 December 2020, Hengjaya Nickel recorded sales of \$260.3M for 21,880.0 tonnes of nickel metal sold. EBITDA for the year was \$97.6M.

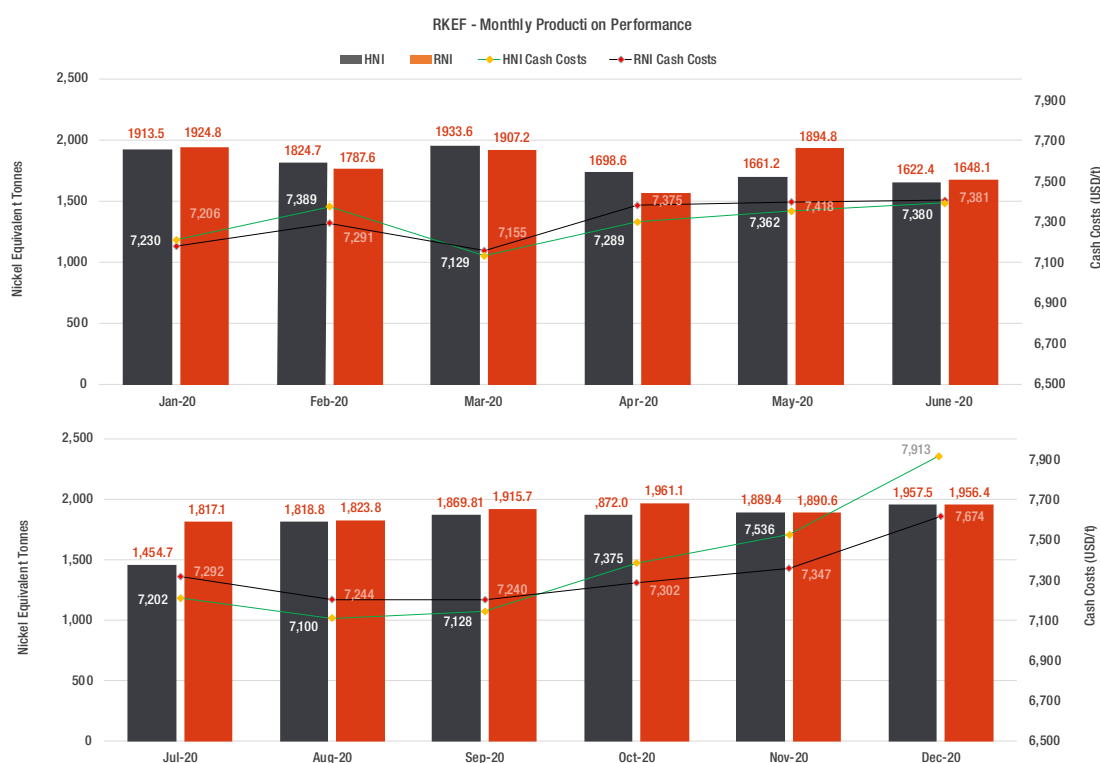
Ranger Nickel (80% interest held by Nickel Mines)

During the year, Ranger Nickel produced 22,107.0 tonnes of nickel metal at an average NPI grade of 14.7% at a weighted average cash cost of \$7,327/tonne of nickel metal.

RANGER NICKEL		March 2020 Quarter	June 2020 Quarter	September 2020 Quarter	December 2020 Quarter	Total
NPI Production	tonnes	39,321.1	35,523.6	36,449.3	38,675.0	149,969.0
NPI Grade	%	14.3	14.4	15.3	15.0	14.7
Nickel Metal Production	tonnes	5,619.6	5,123.7	5,555.6	5,808.1	22,107.0
Cash Costs	US\$/t Ni	7,216	7,392	7,258	7,442	7,327
Nickel Metal Sold	tonnes	5,619.6	4,273.5	6,188.6	5,746.6	21,828.3

Nickel Mines' attributable nickel metal production from Ranger Nickel for the year ended 31 December 2020 was 15,537.8 tonnes.

For the year ended 31 December 2020, Ranger Nickel recorded sales of \$263.2M for 21,828.3 tonnes of nickel metal sold. EBITDA for the year was \$99.1M.



Production and cost performance from the Hengjaya Nickel and Ranger Nickel RKEF projects in 2020.



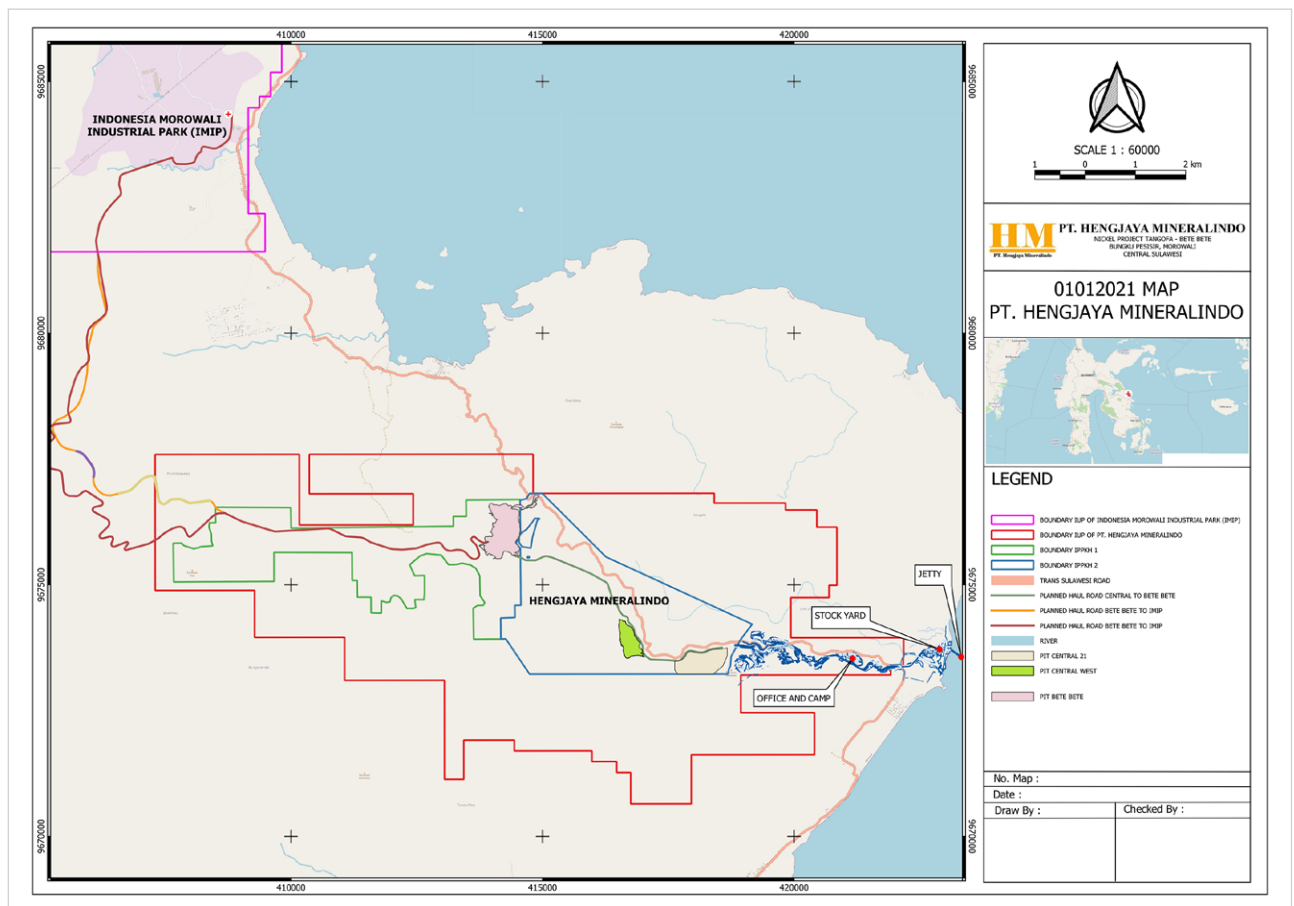
Nickel ore being trucked to the jetty at the Hengjaya Mine.

Cash operating costs across the year generally ranged between \$7,200 and \$7,500 per tonne of nickel metal. Costs in the December quarter were modestly higher than the rest of the year reflecting elevated nickel ore prices that are now more closely indexed to LME nickel price movements since the Indonesian Government's adoption of a new benchmark ore pricing regime in May 2020. For several months, the IMIP's large stockpiles of ore provided a buffer to it having to purchase ore under the new regime, however, new ore purchases in recent months have been subject to the new pricing regime and resulted in a modest increase in ore costs into the IMIP. The notable increases in the December cash operating costs across both Hengjaya Nickel and Ranger Nickel were largely attributable to some end-of-year adjustments relating to port and NPI processing charges and labour bonus/holiday payments.

HENGJAYA MINE (80% interest held by Nickel Mines)

The Company holds an 80% interest in PT Hengjaya Mineralindo, the owner of 100% of the Hengjaya mine, with the remaining 20% interest owned by the Company's Indonesian partner.

The mine is located approximately 12 kilometres from the IMIP in the Morowali Regency, Central Sulawesi, Indonesia. The Hengjaya mine tenement covers 5,983 hectares and holds a 20 year mining operation/production licence (issued May 2012) with two further 10 year extension periods.



Map showing the Hengjaya mine and proximity to the IMIP.

REVIEW OF OPERATIONS

Resources

In August 2020, an updated JORC 2012 compliant resource estimate for the Hengjaya mine was reported as follows:

Category	Dry Tonnes (million)	Ni (%)	Co (%)	Fe (%)
Measured	20	1.3	0.08	28
Indicated	109	1.3	0.08	29
Inferred	56	1.3	0.07	27
Total	185	1.3	0.08	28

The 185 million dry metric tonnes at 1.3% nickel and 0.08% cobalt (cut-off 0.8% nickel), representing 2,405,000 tonnes of nickel and 148,500 tonnes of cobalt, is from an area of 1,144 hectares of the 5,983 hectare Hengjaya mine tenement area.

The updated resource exceeds the previous resource estimate reported in December 2018 which covered an area of 1,919 hectares. Further, Measured and Indicated resources have increased 185% and 117% respectively with a 49% decrease in Inferred resources, demonstrating a strong conversion rate from Indicated and Inferred to Measured and the quality of the Hengjaya mine ore body.

In addition to the updated Mineral Resource, at least five significant Exploration Targets, covering a further 1,500 hectares within the Hengjaya mine licence area have been identified in locations where similar type nickel laterite deposits of between 60 - 120 million wet metric tonnes is postulated. In these areas nickel laterite has already been identified by surface mapping and wide spaced drilling.

An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade, relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource. The potential quantity and grade of the Exploration Target is conceptual in nature, as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.



Aerial view of the Bete Bete pit at the Hengjaya Mine.

Mining

The production results achieved across the December quarter at the Hengjaya mine were the result of numerous mine expansion initiatives implemented over the year focused on increasing production and lowering costs. After a challenging and extended wet season, the December quarter saw Hengjaya mine achieve record levels of production with the costs of ore production falling significantly.

Saprolite ore production totalled 870,503 wmt for the year ended 31 December 2020, at an average stripping ratio of 1.6:1.0. Sales for the year totalled 795,650 wmt at an average grade of 1.81%.

The cost of mining limonite ore, which has been stockpiled adjacent to waste dumps at both Bete Bete and Central Pits in readiness for anticipated eventual supply to the IMIP's HPAI projects, is included as an overburden cost and is expensed. At 31 December 2020, 463,954 wmt of limonite ore grading approximately 1.2% nickel had been stockpiled.

		March 2020 Quarter	June 2020 Quarter	September 2020 Quarter	December 2020 Quarter	Total
Tonnes mined	wmt	149,958	62,610	158,058	499,877	870,503
Overburden mined	BCM	142,250	155,852	200,439	266,960	797,740
Limonite mined	BCM	41,750	87,069	240,589	294,717	664,125
Overburden and limonite mined	BCM	187,000	242,921	441,028	561,678	1,432,626
Strip ratio⁽¹⁾	BCM/wmt	1.2	3.9	2.8	1.1	1.6
Tonnes sold	wmt	155,599	54,029	129,264	456,758	795,650
Average grade sold	%	1.83	1.80	1.85	1.81	1.82
Average price received	US\$/t	24.32	23.79	31.39	32.58	29.98
Average cost of production⁽²⁾	CIF US\$/t	29.70	44.73	40.68	25.30	30.30

⁽¹⁾ Strip ratio includes limonite as overburden.

⁽²⁾ Average cost of production includes amortisation and depreciation costs for the 12 months of \$1.61/t.

Mine Expansion

Over the course of 2020, numerous expansion initiatives were undertaken with the underlying objective being to unlock the strategic value of Hengjaya mine's large scale resource. While having the immediate effect of scaling up production levels and reducing costs, many of the expansion initiatives are designed to prepare the mine to be a future material supplier of both saprolite and limonite ore to the IMIP.

These expansion initiatives included:

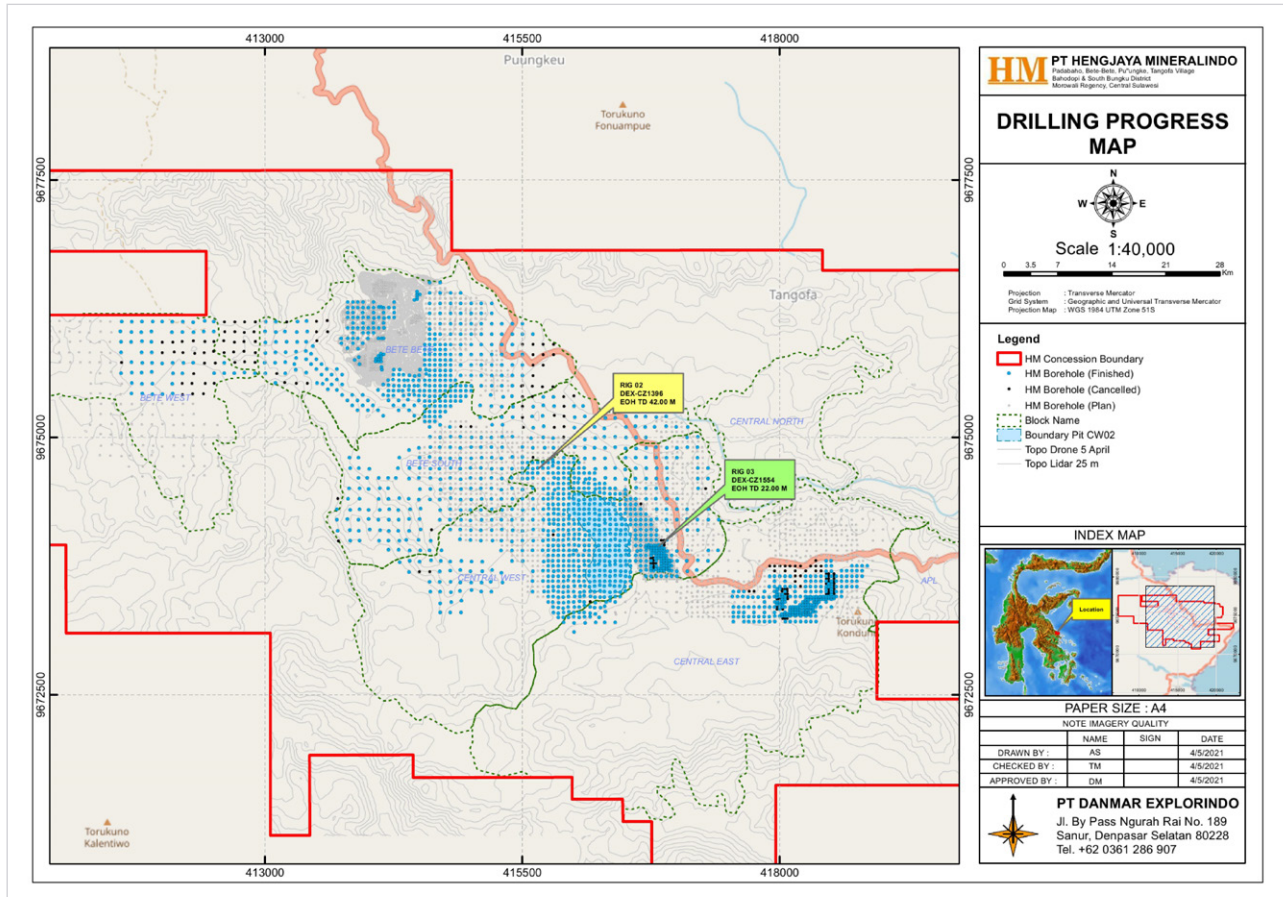
- developing the Central Pit as both an additional production area to the existing Bete Bete Pit with a shorter haul road distance to the jetty;
- developing dedicated haul roads from the Bete Bete Pit through the Central Pit to the jetty to facilitate the use of larger 40 tonne haul trucks;
- expanding the jetty capacity to allow for the simultaneous loading of multiple 10,000 tonne barges;
- building a modernised campsite and auxiliary facilities to cater for an expanded and upskilled workforce;
- upgrading of onsite ore preparation and analytical laboratories;
- construction of an ore scalping grizzly to allow faster separation of oversized rock from ore to increase ore recovery; and
- commencing the design and construction of a direct haul road between Hengjaya mine and the IMIP to facilitate the increased supply of both saprolite and limonite ore into the IMIP.

First ore from the Central Pit was mined and trucked to the expanded jetty for barging in early April 2020, however, mine production across the June quarter and well into the September quarter was severely impacted by an extended and above average wet season. Drier conditions in the December quarter saw record mine production of nearly 500,000 tonnes for the quarter demonstrating the expanded production capabilities of the Hengjaya mine.

REVIEW OF OPERATIONS

Exploration

Drilling during 2020 consisted of exploration and infill holes totalling 19,045 metres, including exploration and infill drilling at the Central Pit area to enhance mine planning, scheduling, resource optimisation and to assist with planning for the separation of saprolite and limonite ore.



Hengjaya mine current drilling targets for infill and exploration areas.

Additional strategic exploration drill targets have been identified in the southern extents of the current IUP where there will be a focus on delineating new resources.



Aerial view of the camp at the Hengjaya Mine.



Mine site rehabilitation and sediment controls.

Safety, Environment and Community

There were no lost time injuries or high potential incidents reported during the year. Early recognition of the potential impacts of COVID-19 and the prompt implementation of strict access controls and health and safety measures to protect the health and wellbeing of all workers have ensured the continuation of normal, uninterrupted operations to date.

Training of staff and contractors in safe operating practices continues on a regular and routine basis. Additional safe operating procedures continue to be developed including the review of all incoming mining fleet, associated risk management assessments and requirements.

No environmental incidents were reported during 2020 and the environmental team completed all required compliance monitoring and reporting. During the December quarter, the Hengjaya mine was assessed by the Indonesian Ministry of Energy and Mineral Resources ('ESDM') and awarded a "Blue" status rating confirming full compliance with the mine's operational licence in respect to associated rehabilitation programs and commitments.

There was continuing work to complete final landform in the Bete Bete Pit waste dumps. Construction and installation of additional water management and associated drainage systems at the new Central Pit area was also completed.

Site rehabilitation continued at the Bete Bete waste dump areas. Elsewhere on site, various environmental impact monitoring programs were completed and new environmental controls were installed at the Central Pit, camp and associated haul road systems.

The Hengjaya "DAS" rehabilitation program on substitution areas located at Bomba and Ensa in Central Sulawesi is required as part of the license conditions for IPPKH 1 and 2. By the end of December 2020, a total of 973 hectares have been seeded and established. The DAS rehabilitation program includes nursery, delivery, plantation, replacement of dead plants and installation of new production forests.

The Hengjaya mine continues to work to establish personal development and training programs with both local and regional stakeholders, including the Tangofa, Bete Bete, Markati, Labota, Tanga Oreo and Bahodopi village regions. Whilst most local and regional activities remained postponed due to COVID-19 travel restrictions, social distancing and Company restricted access procedures and travel protocols, the Hengjaya mine still managed to assist in various local initiatives involving education, wellbeing, and medical programs.

REVIEW OF OPERATIONS

CORPORATE

Exercise of option to move to 80% ownership of the Hengjaya Nickel Project

In accordance with the Collaboration and Subscription Agreement ('CSA') governing the Hengjaya Nickel project, the Company elected to increase (from 60% to 80%) its holding (comprising equity and shareholder loans) of Hengjaya Holdings Private Limited, the Singaporean domiciled holding company that wholly owns PT Hengjaya Nickel Industry ('HNI'), an Indonesian PMA company that owns 100% of the Hengjaya Nickel project.

Under the terms of the CSA and its subsequent supplementary agreements, the Company had until 30 November 2020 to exercise this option. The exercise price of the option was \$60M, based on a valuation of \$300M for Hengjaya Nickel on a 100% basis.

Exercise of option to move to 80% ownership of the Ranger Nickel Project

In accordance with the Collaboration Agreement ('CA') governing the Ranger Nickel project, the Company elected to increase (from 60% to 80%) its holding (comprising equity and shareholder loans) of Ranger Investment Private Limited, the Singaporean domiciled holding company that wholly owns PT Ranger Nickel Industry ('RNI'), an Indonesian PMA company that owns 100% of the Ranger Nickel project.

Under the terms of the CA and its subsequent supplementary agreements, the Company had until 30 November 2020 to exercise this option. The exercise price of the option was \$60M, based on a valuation of \$300M for RNI on a 100% basis.



Managing Director Justin Werner visiting the site where Angel Nickel is being constructed.

Participation in Angel Nickel

In October 2020, the Company signed a Memorandum of Understanding ("MoU") and subsequently a Definitive Agreement with Shanghai Decent to acquire a 70% interest in Angel Capital Private Limited, the Singaporean domiciled holding company that wholly owns PT Angel Nickel Industry ('ANI'), an Indonesian PMA company that owns 100% of the Angel Nickel project, a development project within the Indonesia Weda Bay Industrial Park ('IWIP') on Halmahera Island in Indonesia's North Maluku province. Subsequent to year end, it was agreed by both parties that the Company's equity participation in the Angel Nickel project would increase to 80%.

The Angel Nickel project is a joint collaboration with Shanghai Decent, the Company's largest shareholder, and will comprise:

- four next generation 54 KVA¹ RKEF lines with an annual nameplate production capacity of 36,000 tonnes of nickel metal (in nickel pig iron); and
- a 380MW captive power plant, with ownership of the power plant to provide the benefits of a secure, integrated power supply and lower NPI operating costs.

Under the amended terms of the Definitive Agreement the Company will acquire an 80% interest in Angel Nickel in accordance with the following staged payments:

- Stage 1 - \$210M by 31 March 2021 to secure an initial 30% interest. In February 2021, the Company completed the Stage 1 acquisition of a 30% interest in Angel Nickel.
- Stage 2 - \$350M by 31 December 2021 to secure a further 50% interest. If the Stage 2 acquisition is completed by 30 June 2021, the purchase price will be discounted to \$344M.

On signing the MoU, the Company paid a \$10M 'good faith deposit' to Shanghai Decent and upon execution of the Definitive Agreement made a further \$20M 'down payment' to Shanghai Decent. In February 2021, the Company completed the Stage 1 acquisition of a 30% interest in Angel Nickel by payment of \$180M which, together with the \$30M deposit which had been paid from existing cash reserves, completed the first acquisition consideration payment of \$210M.

Accelerated Non-Renounceable Entitlements Offers (ANREOs)

In May/June 2020, to fund its increased interests in the Hengjaya Nickel and Ranger Nickel projects, the Company successfully completed a fully underwritten 1 for 3.6 ANREO at A\$0.50 per share to raise A\$231M (equivalent to approximately \$155M). The entitlement offer resulted in the issue of 462,631,313 new fully paid ordinary shares in the Company.

In December 2020, to fund its initial 30% interest in the Angel Nickel project, the Company successfully completed a fully underwritten 2 for 11 ANREO at A\$0.94 per share to raise A\$364M (equivalent to approximately \$275M). The entitlement offer resulted in the issue of 386,929,409 new fully paid ordinary shares in the Company.

Retirement of Ranger Debt Facility

During the year, the Company made repayments of \$20M against the Ranger debt facility, reducing the outstanding facility balance to \$45M at year end. Subsequent to the end of the year, the Company fully repaid the Ranger debt facility, approximately 41 months ahead of schedule, leaving the Company debt free.

With the Company committed to debt funding a portion of the Stage 2 acquisition of Angel Nickel, the full retirement of the Ranger debt facility is seen as providing the optimal platform from which to commence future debt negotiations.

Appointment of Dasa Sutantio

Mr Stephanus (Dasa) Sutantio was appointed as a Non-Executive Director of the Company on 29 May 2020.

Mr Sutantio graduated with a Bachelor of Commerce degree from the Australian National University in 1987 and has been involved in the Asian financial sector for more than 20 years, holding various senior positions at Citibank N.A., Bank Tiara Asia Tbk., the Indonesian Bank Restructuring Agency and PT Bank Mandiri Tbk.

He joined the Indonesian Tanito Group in 2010 and is currently a Director and CFO responsible for overseeing the Tanito Group's investments in the financial, mining support, marine logistics/shipping, property and hospitality sectors. Within the Tanito Group, Mr Sutantio is a Director of PT Karunia Bara Perkasa, the Company's second largest shareholder, which fully supported the Company's recent capital raising to fund the Company's increased interests in the Hengjaya Nickel and Ranger Nickel projects.

Declaration and payment of maiden interim and final dividends

In August 2020 the Nickel Mines' Board resolved to declare a maiden A\$0.01 dividend. The dividend was paid on 14 September 2020, totalling A\$21.2M (US\$15.4M). Subsequent to year end the Company declared a A\$0.02 final dividend. The dividend was paid on 11 February 2021, totalling A\$50.3M (US\$39.0M).

¹ KVA (Kilo-volt amps) is a measure of 'apparent power'. The Company's existing HNI and RNI RKEF Projects comprise 33 KVA kilns.

REVIEW OF OPERATIONS

Competent Persons Statement

The information provided in this report that relates to Mineral resources, the Exploration Target and Exploration Results is based on information provided by Daniel Madre of PT Danmar Explorindo. Mr Madre is a member of the Australian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities which are being undertaken to qualify as a Competent Person as defined in the 2012 edition of the “Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Madre is an independent consulting geologist and consents to the inclusion of the matters based on his information in the form and context in which it appears. Mr Madre has more than 18 years experience in exploration and mining of nickel laterites in Indonesia.

Corporate Governance Statement

The Board is committed to maintaining standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company’s activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practises against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

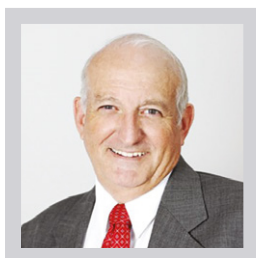
The Corporate Governance Statement is dated as at 19 February 2021, reflecting the corporate governance practises throughout the 2020 financial year and was approved by the Board of Directors of the Company on 19 February 2021. A description of the Company’s current corporate governance practises is set out in the Company’s Corporate Governance Statement which can be viewed at www.nickelmines.com.au/corporate-governance/.

The Directors present their report together with the financial report of Nickel Mines Group, being Nickel Mines Limited ('the Company' or 'Nickel Mines') and its controlled entities ('the Group'), for the year ended 31 December 2020 and the auditor's report thereon:

Directors and Company Secretary

The names and particulars of the Directors of the Company at any time during or since the end of the year are:

Robert Charles Neale – Non-Executive Chairman

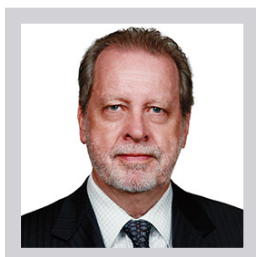


Director since 16 April 2018.

Mr Neale graduated from the University of Queensland with a First Class Honours Degree in Geology and Mineralogy with an additional major in Chemistry. Mr Neale is currently the Non-Executive Chairman of Mayur Resources Limited, an industrial minerals and energy company with assets in Papua New Guinea.

Mr Neale is the former Managing Director of New Hope Corporation Limited ('NHC') and non-executive director of Planet Gas Limited (now Sky Metals Limited) until February 2016. He joined NHC in 1996 as General Manager and was appointed as an executive officer in 2005 and to the Board of Directors in 2008 until his retirement in 2014. Mr Neale has more than 45 years' experience in the mining, oil and gas and exploration industries covering base metals, gold, coal, synthetic fuels and conventional oil and gas, bulk materials shipping, and power generation. Prior to NHC he spent 23 years with Esso Australia and EXXON Coal and Minerals Company.

Norman Alfred Seckold – Executive Deputy Chairman



Executive Chairman to 16 April 2018. Director since 12 September 2007.

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney and has spent more than 30 years in the full time management of natural resource companies, both in Australia and overseas.

Mr Seckold has been the Chairman of a number of publicly listed companies including Moruya Gold Mines (1983) N.L., which acquired the Golden Reward heap leach gold deposit in South Dakota, USA, Pangea Resources Limited, which acquired and developed the Pauper's Dream gold mine in Montana, USA, Timberline Minerals, Inc. which acquired and completed a feasibility study for the development of the MacArthur copper deposit in Nevada, USA, Perseverance Corporation Limited, which discovered and developed the Nagambie gold mine in Victoria, Valdora Minerals N.L., which developed the Rustler's Roost gold mine in the Northern Territory and the Ballarat East Gold Mine in Victoria, Viking Gold Corporation, which discovered a high grade gold deposit in northern Sweden, Mogul Mining N.L., which drilled out the Magistral and Ocampo gold deposits in Mexico and Bolnisi Gold N.L., which discovered and developed the Palmarejo and Guadalupe gold and silver mines in Mexico.

Mr Seckold is currently Chairman of Alpha HPA Limited, a company planning to produce high purity alumina and operating in Australia and Indonesia, Santana Minerals Ltd., a precious metals exploration company, Sky Metals Limited, exploring for gold, tin and tungsten in NSW, Australia and unlisted public company Mekong Minerals Limited.

Justin Charles Werner – Managing Director



Director since 23 August 2012.

Mr Werner, holds a Bachelor of Management from the University of Sydney and has been involved in the mining industry for 20 years. He was a founding partner of PT Gemala Borneo Utama, a private Indonesian exploration and mining company, which developed a heap leach gold mine in West Kalimantan and also discovered the highly prospective Romang Island with then ASX listed Robust Resources Limited which was acquired in 2012 by Indonesian business tycoon Anthony Salim.

Prior to developing projects in Indonesia, Justin worked as a consultant, leading many successful turnaround projects for blue chip mining companies around the world including Freeport McMoran (Grasberg deposit, Indonesia where he spent 2 years), Lihir Gold (Lihir mine, Papua New Guinea), Placer Dome (Nevada, USA), BHP Billiton (Ingwe Coal, South Africa), Rio Tinto (West Angeles Iron Ore, Australia), Nickel West (Western Australia) and QNI Yabulu refinery (Queensland, Australia).

Mr Werner is currently a non-executive director of ASX Listed Alpha HPA Limited and unlisted public company Far East Gold Limited.

DIRECTORS' REPORT

Peter James Nightingale – Executive Director and Chief Financial Officer



Director since 12 September 2007.

Peter Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants Australia and New Zealand. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for more than 30 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Mogul Mining N.L., Bolnisi Gold N.L. and Planet Gas Limited (now Sky Metals Limited). Mr Nightingale is currently a director of ASX Listed Alpha HPA Limited and Prospech Limited.

James Crombie – Non-Executive Director



Director since 23 May 2008.

Jim Crombie graduated from the Royal School of Mines, London, with a B.Sc. (Hons) in Mining Engineering, having been awarded an Anglo American Scholarship. Mr. Crombie held various positions with DeBeers Consolidated Mines and the Anglo American Corporation in South Africa and Angola between 1980 and 1986. He spent the next thirteen years as a Mining Analyst and Investment Banker with Shepards, Merrill Lynch, James Capel & Co. and finally with Yorkton Securities. Mr. Crombie was the Vice President, Corporate Development of Hope Bay Mining Corporation Inc. from February 1999 through May 2002 and President and CEO of Ariane Gold Corp. from August 2002 to November 2003. Mr. Crombie was President, CEO and a director of Palmarejo Silver and Gold Corporation until the merger with Coeur d'Alene Mines Corporation, one of the world's leading silver companies, in December 2007. He was a director of Sherwood Copper Corporation until its business combination with Capstone Mining Corp. in November 2008. Currently, Mr. Crombie is President and CEO of Odyssey Resources Corp., and a director of Torex Gold Resources Inc.

Weifeng Huang – Non-Executive Director



Director since 26 April 2018.

Mr Huang has graduated with a Bachelor of Engineering degree from Zhejiang University and a Masters of Business Administration from Zhejiang University.

Mr Huang began his career in several industrial enterprises and has broad management experiences from serving as the Plant Manager of Wenzhou Tractor Plant, the General Manager of Wenzhou Machinery Industrial Corporation, the Vice Mayor of Wenzhou and the Executive Chairman of China Perfect Machinery Industry Corp., Ltd. Mr Huang also served as the Deputy Director of the Management Committee of Shanghai Jinqiao Export Processing Zone, where he was appointed as a Director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd, a publicly-listed company on the Shanghai Stock Exchange and the Deputy CEO of Shanghai Jinqiao Group. Mr Huang was also a former Chairman of the board of Harbin High Tech (Group) Co., Ltd, another publicly-listed company on the Shanghai Stock Exchange.

Mr Huang is currently the Chairman of Shanghai Decent Investment (Group) Co., Ltd, a flagship company within the Tsingshan group which led in the development of the IMIP and he is a Director of PT Indonesia Morowali Industrial Park.

Mark Hamish Lochtenberg – Non-Executive Director



Director since 10 March 2017.

Mr Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the coal industry for more than 25 years. He was the Executive Chairman and founding Managing Director of ASX-listed Cockatoo Coal Limited.

He was also formerly the co-head of Glencore International AG's worldwide coal division, where he spent 13 years overseeing a range of trading activities including the identification, due diligence, negotiation, acquisition and aggregation of the coal project portfolio that would become Xstrata Coal. Prior to this Mr Lochtenberg established a coal "swaps" market for Bain Refco, (Deutsche Bank) after having served as a senior coal trader for Hansen Neuerburg AG and as coal marketing manager for Peko Wallsend Limited.

Mr Lochtenberg is currently Chairman of ASX listed Equus Resources Limited, a minerals exploration company with operations in Chile and a Director of Australian Transport Energy Corridor Pty Ltd and Montem Resources Limited.

Dasa Sutantio – Non-Executive Director



Director since 29 May 2020.

Mr Sutantio graduated with a Bachelor of Commerce degree from the Australian National University in 1987 and has been involved in the Asian financial sector for more than 20 years, holding various senior positions at Citibank N.A., Bank Tiara Asia Tbk., the Indonesian Bank Restructuring Agency and PT Bank Mandiri Tbk. He joined the Indonesian Tanito Group in 2010 and is currently a Director and CFO responsible for overseeing the Tanito Group's investments in the financial, mining support, marine logistics/shipping, property and hospitality sectors. Within the Tanito Group, Mr Sutantio is a Director of PT Karunia Bara Perkasa, currently the Company's second largest shareholder.

Yuanyuan Xu – Non-Executive Director



Director since 26 April 2018.

Ms Yuanyuan Xu graduated with a Bachelor's Degree in Fashion Business & Fashion Design from Instituto Marangoni. Since graduation, Ms Xu has focused on marketing, public relations and procurement activities.

She is currently an Executive Director of Shanghai Wanlu Investment Co., Ltd.

Richard James Edwards – Company Secretary



Company Secretary since 28 March 2012.

Richard Edwards graduated with a Bachelor of Commerce degree from the University of New South Wales, is a Fellow of the Governance Institute of Australia, a member of CPA Australia and holds a Graduate Diploma of Applied Finance and Investment from FINSIA. Mr Edwards has worked for over fifteen years providing financial reporting and company secretarial services to a range of publicly listed companies in Australia with a focus on the mining sector. He is also Company Secretary of ASX listed Alpha HPA Limited and Prospech Limited.

DIRECTORS' REPORT

Directors' Meetings

The number of Directors' meetings held and number of meetings attended by each of the Directors of the Company, while they were a Director, during the year are:

Director	Board meetings		Audit Committee meetings		Nomination Committee meetings		Remuneration Committee meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Robert Neale	5	5	2	2	1	1	1	1
Norman Seckold	5	5	-	-	1	1	-	-
Justin Werner	5	5	-	-	-	-	-	-
Peter Nightingale	5	4	-	-	-	-	-	-
James Crombie	5	5	2	2	-	-	1	1
Weifeng Huang	5	4	2	2	-	-	-	-
Mark Lochtenberg	5	3	2	2	1	1	1	1
Dasa Sutantio*	2	2	-	-	-	-	-	-
Yuanyuan Xu	5	4	-	-	-	-	-	-

* Appointed as a Director on 29 May 2020.

Directors' Interests

The beneficial interests of each Director of the Company in the issued share capital of the Company are:

Key management personnel	1 January 2020	Purchased	Sold	Date of this report
Robert Neale	500,000	200,000	-	700,000
Norman Seckold	123,715,661	-	-	123,715,661
Justin Werner	25,016,297	4,193,376	-	29,209,673
Peter Nightingale	22,265,654	5,336,341	-	27,601,995
James Crombie	6,580,000	-	-	6,580,000
Weifeng Huang	-	4,450,000	3,000,000	1,450,000
Mark Lochtenberg	11,693,333	22,845,251	-	34,538,584
Dasa Sutantio*	-	-	-	-
Yuanyuan Xu	149,258,258	-	28,000,000	121,258,258

* Number held at date of appointment as Director on 29 May 2020.

Dividends

On 31 August 2020, at the time of release of the Half Year Report the Company declared a maiden interim dividend of A\$0.01 per share, being a distribution of A\$21.3M. Subsequent to year end, on 28 January 2021 the Company declared a final dividend of A\$0.02 per share, being a distribution of A\$50.3M

Significant Changes in State of Affairs

In the opinion of the Directors, significant changes in the state of affairs of the Group that occurred during the year ended 31 December 2020 were as follows:

- In accordance with the CSA governing the Hengjaya Nickel Project, the Company elected to increase (from 60% to 80%) its holding (comprising equity and shareholder loans) of Hengjaya Holdings Private Limited, the Singaporean domiciled holding company that wholly owns PT Hengjaya Nickel Industry ('HNI'), an Indonesian PMA company that owns 100% of the Hengjaya Nickel project.
- In accordance with the CA governing the Ranger Nickel project, the Company elected to increase (from 60% to 80%) its holding (comprising equity and shareholder loans) of Ranger Investment Private Limited, the Singaporean domiciled holding company that wholly owns PT Ranger Nickel Industry ('RNI'), an Indonesian PMA company that owns 100% of the Ranger Nickel project.
- To fund its increased interests in the Hengjaya Nickel and Ranger Nickel projects, the Company successfully completed a fully underwritten 1 for 3.6 entitlement offer at A\$0.50 per share to raise A\$231M (equivalent to approximately US\$155M). The entitlement offer resulted in the issue of 462,631,313 new fully paid ordinary shares in the Company.
- Mr Stephanus (Dasa) Sutantio was appointed as a Non-Executive Director of the Company on 29 May 2020.
- In November 2020 the Company executed a Definitive Agreement with Shanghai Decent for Nickel Mines to acquire a 70% equity interest in the Angel Nickel Project, which consists of four 54 KVA RKEF lines with an annual nameplate production capacity of 36,000 tonnes of nickel metal and a 380MW captive power plant.
- To fund its initial acquisition of a 30% interest in Angel Nickel, the Company successfully completed a fully underwritten 2 for 11 entitlement offer at A\$0.94 per share to raise A\$364M (equivalent to approximately US\$275M). The entitlement offer resulted in the issue of 386,929,409 new fully paid ordinary shares in the Company.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group during the year ended 31 December 2020 other than as disclosed in this Directors' Report, or in the financial statements.

Impact of Legislation and Other External Requirements

On 12 January 2014 the Indonesian Government introduced a ban on the export of unprocessed minerals. As a consequence, the mining operations at the Hengjaya mine ceased. Whilst the ban on the export of unprocessed minerals remains in place, mining operations were recommenced in October 2015 following the signing of a series of ore offtake agreements to supply ore to Tsingshan group companies within the IMIP as detailed above. There were no environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Group.

Environmental Regulations

The Group's operations are subject to environmental regulations in the Republic of Indonesia.

The Board of Directors regularly monitors compliance with environmental regulations. The Directors are not aware of any significant breaches of these regulations during the period covered by this report.

Likely Developments

Information as to likely developments in the operations of the Group and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

DIRECTORS' REPORT

Indemnification of Officers and Auditors

During or since the end of the year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred by such an officer or auditor. In addition, the Company has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

Non-audit Services

During the year KPMG, the Group's auditor, did not provide any services outside of audit services.

Events Subsequent to Balance Date

- In January 2021, the Company secured the right to acquire an additional 10% interest in Angel Nickel. In February 2021, the Company completed the initial acquisition of a 30% interest in Angel Nickel, following payment of US\$180M, completing the first acquisition consideration of US\$210M.
- At an Extraordinary General Meeting of shareholders held on 19 January 2021, 100% approval for the acquisition of 70% of Angel Nickel was given by shareholders.
- In January 2021, the Company made further voluntary early repayments of the Ranger senior debt facility, fully repaying the outstanding facility amount at 31 December 2020 of \$45M.
- In January 2021, the Company declared a A\$0.02 final dividend for the year ended 31 December 2020. The dividend was paid on 11 February 2021, totalling A\$50.3M (US\$39.0M).

Other than the matters outlined above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Remuneration Report - (Audited)

All amounts in this remuneration report are in Australian Dollars unless otherwise stated.

Principles of Compensation - (Audited)

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Company. No other employees have been deemed to be key management personnel. The policy of remuneration of Directors and senior executives is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Compensation levels have been, and will be, set to be in line with Australian listed entities of equivalent size and comparable operations in order to attract and retain suitably qualified and experienced key management personnel but also having regard to the prevailing financial capacity of the Company.

The Board is responsible for reviewing and evaluating its own performance. The evaluation process is intended to assess the Group's business performance, whether long term strategic objectives are being achieved and the achievement of individual performance objectives.

Remuneration generally consists of salary payments. The remuneration disclosed below represents the cost to the Group for the services provided under these arrangements.

Consultancy Agreements with key management personnel

The Company has entered into an executive consultancy agreement with a company associated with Norman Seckold. Under this executive consultancy agreement, the consultancy company of Mr Seckold agrees to make Mr Seckold available to perform the duties and responsibilities of the position of Executive Chairman up to the IPO and Executive Deputy Chairman after the IPO. During the year ended 31 December 2020, the consultancy company received a fee of A\$12,500 per month, equating to \$150,000 per annum. The consultancy agreement commenced on 1 May 2018 and continues until terminated in accordance with its terms. Prior to 1 May 2018 there was no formal contract with Mr Seckold.

The Company has entered into an executive consultancy agreement with a company associated with Justin Werner. Under this executive consultancy agreement, the consultancy company of Mr Werner agrees to make Mr Werner available to perform the duties and responsibilities of the position of Managing Director.

During the year ended 31 December 2020, the consultancy company received a fee of US\$29,167 per month, equating to US\$350,000 per annum, at the equivalent of A\$524,553. The consultancy agreement commenced on 1 April 2018 and continues until terminated in accordance with its terms. Prior to 1 April 2018 there was no formal contract with Mr Werner.

The Company has entered into an executive consultancy agreement with a company associated with Peter Nightingale. Under this executive consultancy agreement, the consultancy company of Mr Nightingale agrees to make Mr Nightingale available to perform the duties and responsibilities of the position of Chief Financial Officer and Executive Director. During the year ended 31 December 2020, the consultancy company received a fee of A\$25,000 per month, equating to \$300,000 per annum. The consultancy agreement commenced on 1 April 2018 and continues until terminated in accordance with its terms. Prior to 1 April 2018 there was no formal contract with Mr Nightingale.

Each Executive Director is entitled to be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board and any committee on which he or she serves. The consultancy agreements may be terminated by the Company or the consultancy company by either party giving three months' notice. The Company may terminate the consultancy agreements without notice in certain circumstances, including but not limited to a breach of contract, criminal activity or serious misconduct by the consultancy company or the key management personnel.

Each of the Company's Non-Executive Directors have entered into Letters of Appointment with the Company to serve as Non-Executive Directors. Each of the Letters of Appointment provide that amongst other things, in consideration for their services, the Company will pay the following fees to the Non-Executive Directors:

Name	Position	Annual fee (A\$)
Robert Neale	Non-Executive Chairman	150,000
James Crombie	Non-Executive Director	50,000
Weifeng Huang	Non-Executive Director	50,000
Mark Lochtenberg	Non-Executive Director	50,000
Dasa Sutantio	Non-Executive Director	50,000
Yuanyuan Xu	Non-Executive Director	50,000

No Directors or senior executives received performance related remuneration during the year ended 31 December 2020. There were no remuneration consultants used by the Group during the year ended 31 December 2020, or in the prior period.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current year ended 31 December 2020 and the previous five financial periods.

USD	12 Months to	6 Months to	2019	2018	2017	2016
	31 December	31 December				
	2020	2019				
	\$	\$	\$	\$	\$	\$
Net profit/(loss) attributable to owners of the Company	110,610,841	56,504,374	65,525,988	(3,311,526)	(3,831,761)	(1,377,084)
Dividends paid	15,441,648	-	-	-	-	-

The Board also considers non-financial indices in assessing the Group's performance and the shareholders wealth. This includes obtaining the permits and approvals to further develop the mining operations, identifying opportunities for potential strategic business partnerships and ventures and the success of fund raising ventures.

DIRECTORS' REPORT

Details of Remuneration for the Year Ended 31 December 2020 - (Audited)

Details of Director remuneration and the nature and amount of each major element of the remuneration of each Director of the Company are set out below. All balances included are denominated in Australian dollars.

Remuneration for year ended 31 December 2020:

Key management personnel	Short term	Post-employment	Share based payments	Total	Proportion of remuneration related	Value of options as a proportion of remuneration
	Salary and fees A\$	Superannuation A\$	Shares A\$			
<i>Executive Directors</i>						
Norman Seckold	150,000	-	-	150,000	-	-
Justin Werner	524,553	-	-	524,553	-	-
Peter Nightingale	300,000	-	-	300,000	-	-
<i>Non-Executive Directors</i>						
Robert Neale	136,986	13,014	-	150,000	-	-
James Crombie	50,000	-	-	50,000	-	-
Weifeng Huang	50,000	-	-	50,000	-	-
Mark Lochtenberg	50,000	-	-	50,000	-	-
Dasa Sutantio*	29,578	-	-	29,578	-	-
Yuanyuan Xu	50,000	-	-	50,000	-	-
Total	A\$1,341,117	A\$13,014	-	A\$1,354,131	-	-

* Remuneration paid subsequent to his becoming a Director on 29 May 2020.

Remuneration for six months ended 31 December 2019:

Key management personnel	Short term	Post-employment	Share based payments	Total	Proportion of remuneration related	Value of options as a proportion of remuneration
	Salary and fees A\$	Superannuation A\$	Shares A\$			
<i>Executive Directors</i>						
Norman Seckold	75,000	-	-	75,000	-	-
Justin Werner	255,675	-	-	255,675	-	-
Peter Nightingale	150,000	-	-	150,000	-	-
<i>Non-Executive Directors</i>						
Robert Neale	68,493	6,507	-	75,000	-	-
James Crombie	25,000	-	-	25,000	-	-
Weifeng Huang	25,000	-	-	25,000	-	-
Mark Lochtenberg	25,000	-	-	25,000	-	-
Yuanyuan Xu	25,000	-	-	25,000	-	-
Total	A\$649,168	A\$6,507	-	A\$655,675	-	-

The total remuneration expense for the year ended 31 December 2020 of A\$1,354,131 (six months to December 2019: A\$655,675) has been recognised in the Statement of Profit or Loss at the US\$ equivalent of \$937,929 (six months to December 2019: \$448,785).

Movement in Shares - (Audited)

The movement during the reporting year in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	1 January 2020	Purchased	Sold	31 December 2020
Robert Neale	500,000	200,000	-	700,000
Norman Seckold	123,715,661	-	-	123,715,661
Justin Werner	25,016,297	4,193,376	-	29,209,673
Peter Nightingale	22,265,654	5,336,341	-	27,601,995
James Crombie	6,580,000	-	-	6,580,000
Weifeng Huang	-	4,450,000	3,000,000	1,450,000
Mark Lochtenberg	11,693,333	22,845,251	-	34,538,584
Dasa Sutantio	-*	-	-	-
Yuanyuan Xu	149,258,258	-	28,000,000	121,258,258

* Number held at date of his becoming a Director on 29 May 2020.

	1 July 2019	Purchased	Sold	31 December 2019
Robert Neale	500,000	-	-	500,000
Norman Seckold	123,715,661	-	-	123,715,661
Justin Werner	25,016,297	-	-	25,016,297
Peter Nightingale	22,265,654	-	-	22,265,654
James Crombie	6,580,000	-	-	6,580,000
Weifeng Huang	-	-	-	-
Mark Lochtenberg	11,693,333	-	-	11,693,333
Yuanyuan Xu	149,258,258	-	-	149,258,258

Transactions with Key Management Personnel - (Audited)

Norman Seckold and Peter Nightingale hold a controlling interest in an entity, MIS Corporate Pty Limited, which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies to the Group. Fees charged by MIS Corporate Pty Limited during the year ended 31 December 2020 amounted to A\$600,625 (six months to 31 December 2019: A\$290,250) which included a fee of A\$35,000 per month and reimbursement of consultant expenses incurred on behalf of the Group. At 31 December 2020 A\$16,250 (31 December 2019: A\$15,000) remained outstanding.

DIRECTORS' REPORT

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 23 and forms part of the Directors' Report for the year ended 31 December 2020.

Signed at Sydney this 24th day of February 2021 in accordance with a resolution of the Board of Directors:



Robert Neale
Chairman



Norman Seckold
Deputy Chairman



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nickel Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Nickel Mines Limited for the year ended 31 December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature of the KPMG representative, appearing as 'KPMG' in a cursive script.

KPMG

A handwritten signature of Stephen Board, appearing as 'S Board' in a cursive script.

Stephen Board
Partner

Brisbane
24th February 2021

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

USD	Notes	12 months to 31 December 2020 \$	6 months to 31 December 2019 \$
Sales revenue	22	523,492,413	236,059,160
Cost of sales		(321,565,521)	(136,207,419)
Depreciation and amortisation expense		(36,786,945)	(16,419,372)
Gross profit		165,139,947	83,432,369
Directors' fees and consultants' expenses		(4,068,152)	(2,893,410)
Share of profit of equity accounted investees		-	1,239,032
Other expenses	4	(3,403,452)	(1,023,527)
Results from operating activities		157,668,343	80,754,464
Financial income	5	2,166,484	13,035,913
Financial expense	5	(5,268,152)	(2,336,467)
Net financial (expense)/income		(3,101,668)	10,699,446
Profit before income tax		154,566,675	91,453,910
Income tax expense	8	(867,835)	(173,476)
Profit for the year/period		153,698,840	91,280,434
Other comprehensive income			
Items that may be classified subsequently to profit or loss		(2,487)	(22,393)
Total comprehensive profit for the year/period		153,696,353	91,258,041
Profit attributable to:			
Owners of the Company		110,610,841	56,504,374
Non-controlling interest		43,087,999	34,776,060
Profit for the year/period		153,698,840	91,280,434
Total comprehensive profit attributable to:			
Owners of the Company		110,608,851	56,486,460
Non-controlling interest		43,087,502	34,771,581
Total comprehensive profit for the year/period		153,696,353	91,258,041
Earnings per share			
Basic and diluted profit per share (cents) for the year/period	9	5.68	3.46

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

USD	Notes	31 December 2020 \$	31 December 2019 \$
Current assets			
Cash and cash equivalents	18	351,445,322	49,820,013
Trade and other receivables	6	117,758,937	97,208,882
Inventory	10	61,285,049	56,238,558
Other current assets	7	8,150,977	1,293,301
Total current assets		538,640,285	204,560,754
Non-current assets			
Other non-current assets	7	9,868,209	9,014,394
Property, plant and equipment	11	600,763,595	628,516,578
Deposit	16	30,000,000	-
Goodwill	15	55,404,895	55,404,895
Total non-current assets		696,036,699	692,935,867
Total assets		1,234,676,984	897,496,621
Current liabilities			
Trade and other payables	12	40,259,761	52,489,262
Current tax payable		3,751,344	652,704
Provision		841,243	662,427
Borrowings	13	12,857,143	4,333,333
Total current liabilities		57,709,491	58,137,726
Non-current liabilities			
Provision – rehabilitation		1,929,408	149,919
Deferred income tax liability	8	55,404,895	55,404,895
Other non-current liability		1,261,425	1,018,309
Borrowings	13	32,142,857	60,666,667
Total non-current liabilities		90,738,585	117,239,790
Total liabilities		148,448,076	175,377,516
Net assets		1,086,228,908	722,119,105
Equity			
Share capital	14	732,929,135	315,501,048
Reserves		19,204,534	19,206,524
Retained profits		187,927,099	92,757,906
Total equity attributable to equity holders of the Company		940,060,768	427,465,478
Non-controlling interest		146,168,140	294,653,627
Total equity		1,086,228,908	722,119,105

The above consolidated statement of financial position should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

USD	Notes	Share capital \$	Retained profits \$	Reserves \$	Total \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2019		275,938,304	36,253,532	(639,437)	311,552,399	143,214,479	454,766,878
Total comprehensive income for the period							
Profit for the period		-	56,504,374	-	56,504,374	34,776,060	91,280,434
Remeasurement of defined benefit obligation		-	-	(17,914)	(17,914)	(4,479)	(22,393)
Total comprehensive income for the period		-	56,504,374	(17,914)	56,486,460	34,771,581	91,258,041
Transactions with owners, recorded directly in equity							
Issue of shares	14	40,000,000	-	-	40,000,000	-	40,000,000
Costs of issue		(437,256)	-	-	(437,256)	-	(437,256)
Non-controlling interest arising on acquisition		-	-	-	-	136,531,442	136,531,442
Transaction with non-controlling interest without a change of control		-	-	19,863,875	19,863,875	(19,863,875)	-
Balance at 31 December 2019		315,501,048	92,757,906	19,206,524	427,465,478	294,653,627	722,119,105
Balance at 1 January 2020		315,501,048	92,757,906	19,206,524	427,465,478	294,653,627	722,119,105
Total comprehensive income for the year							
Profit for the year		-	110,610,841	-	110,610,841	43,087,999	153,698,840
Remeasurement of defined benefit obligation		-	-	(1,990)	(1,990)	(497)	(2,487)
Total comprehensive income for the year		-	110,610,841	(1,990)	110,608,851	43,087,502	153,696,353
Transactions with owners, recorded directly in equity							
Issue of shares	14	430,033,781	-	-	430,033,781	-	430,033,781
Costs of issue	14	(12,605,694)	-	-	(12,605,694)	-	(12,605,694)
Dividends	14	-	(15,441,648)	-	(15,441,648)	-	(15,441,648)
Transaction with non-controlling interest without a change of control	15	-	-	-	-	(147,018,262)	(147,018,262)
Distributions to non-controlling interest		-	-	-	-	(44,554,727)	(44,554,727)
Balance at 31 December 2020		732,929,135	187,927,099	19,204,534	940,060,768	146,168,140	1,086,228,908

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

USD	Notes	12 months to 31 December 2020 \$	6 months to 31 December 2019 \$
Cash flows from operating activities			
Cash receipts from customers		517,640,552	212,696,681
Cash payments to employees and suppliers		(358,863,954)	(169,899,088)
Interest received		301,618	89,507
Taxes and fees paid		(9,123,479)	(4,677,776)
Net cash from operating activities	18	149,954,737	38,209,324
Cash flows from investing activities			
Payments for property, plant and equipment		(7,387,864)	(29,617,317)
Payments for deposit	16	(30,000,000)	-
Payments for investments in controlled entities	15	(147,018,262)	-
Payments for acquisition of controlled entity	15	-	(1,400,000)
Cash on acquisition of controlled entity	15	-	7,244,743
Net cash used in investing activities		(184,406,126)	(23,772,574)
Cash flows from financing activities			
Proceeds from issue of shares	14	430,033,781	-
Costs of issue	14	(12,359,577)	(444,893)
Dividend distributions	14	(15,441,648)	-
Contribution by/(distributions to) non-controlling interest		(43,330,951)	16,986,235
Repayment of borrowings and interest changes	13	(25,268,152)	(29,886,953)
Net cash from/(used in) financing activities		333,633,453	(13,345,611)
Net increase in cash and cash equivalents		299,182,064	1,091,139
Effect of exchange rate adjustments on cash held		2,443,245	(274,103)
Cash and cash equivalents at the beginning of the year/period		49,820,013	49,002,977
Cash and cash equivalents at the end of the year/period		351,445,322	49,820,013
Non-cash financing and investing activities:			
The acquisition of a controlled entity disclosed in Note 15 included a non-cash transaction of \$120,000,000 which was funded through the issue of \$40,000,000 in shares and \$80,000,000 in debt.			
Non-cash investing activities			
Payments for acquisition of controlled entity	15	-	(120,000,000)
Total non-cash investing activities		-	(120,000,000)
Non-cash financing activities			
Proceeds from issue of shares	14	-	40,000,000
Proceeds from borrowings	13	-	80,000,000
Total non-cash financing activities		-	120,000,000

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 1 - REPORTING ENTITY

Nickel Mines Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report for the year ended 31 December 2020 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is involved in nickel ore mining and nickel pig iron production operations.

NOTE 2 - BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards ('IFRS') and interpretations adopted by the International Accounting Standards Board ('IASB').

The financial report was authorised for issue by the Directors on 24 February 2021.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is the Company's functional currency.

Change of financial year end

The financial year of the Company was changed from 30 June to 31 December in 2019 to align the year end date of the Company with that of its subsidiary companies in both Indonesia and Singapore to improve the efficiency of the Company's financial reporting and planning cycles. Accordingly, the financial period reported in these financial statements covers the twelve month period from 1 January 2020 to 31 December 2020. Comparative figures for these financial statements cover the six month period from 1 July 2019 to 31 December 2019. The results for the current period are therefore not directly comparable with the results for the prior period.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 8 – Income tax expense and the recoverability of deferred tax assets.
- Note 15 – Impairment of goodwill.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Where a controlled entity issues shares to minority interests which does not result in loss of control by the Group, any gain or loss arising on the Group's interest in the controlled entity is recognised directly in equity.

Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Nickel ore and nickel pig iron sales revenue

Nickel ore and nickel pig iron sales revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over goods or a service to a customer.

Invoices for nickel ore sales are generated once a month upon receipt of assay results and are usually payable within 10 working days. Pro-forma invoices for exports of nickel pig iron are generated based on the loading inspection report and a final invoice is issued based on the nickel content delivered, following receipt of third party assay results. They are usually payable within 60 days. No discounts are provided for nickel ore and nickel pig iron products, but adjustments are made to the final sale price for items including final nickel grade, moisture content and nickel content.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to United States dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to United States dollars at foreign exchange rates ruling at the dates the fair value was determined.

The Group transacts in the following foreign currencies: Australian dollars (A\$ or AUD), Indonesian Rupee (IDR) and Singapore Dollars (SGD).

Financial statements of foreign operations

The assets and liabilities of foreign entities are translated to United States dollars at the foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to United States dollars at rates using a monthly average rate for the month in which the transaction occurred. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve ('FCTR'), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to United States dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollars using a monthly average rate for the month in which the transaction occurred. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

At 31 December 2020, the functional currency of all components in the Group is United States dollars. The FCTR represents the foreign exchange differences which arose on retranslation in prior years on subsidiaries which have not yet been disposed.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation and amortisation

Mining properties' amortisation rate is applied on a straight-line basis over the remaining term of the mining licence. The amortisation is included in the costs of conversion of inventories.

Depreciation is charged to the income statement using a reducing balance method from the date of acquisition using the following rates:

- Furniture and fittings and plant and machinery are depreciated at 25%.
- Buildings and infrastructure are depreciated at 5%.
- Mine infrastructure assets are depreciated at 5%.
- Office equipment is depreciated at rates of between 25% and 40%.
- Plant and machinery are depreciated at rates if between 6.25% and 12.5%.
- Motor vehicles are depreciated at 25%.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment

Financial assets

The Group recognises expected credit losses ('ECLs'), where material, on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12 month ECLs:

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime ECLs. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through profit or loss are credit impaired.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Non-financial assets

The carrying amounts of the Group's assets, other than deferred tax assets and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill, being an indefinite life intangible asset, is subject to annual impairment testing, in which the goodwill is allocated to a cash generating unit ('CGU') for impairment testing and the value-in-use is compared to the carrying value of goodwill.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Any impairment charges taken up against goodwill balances are not reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share capital

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination.

Interest income or interest expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs which are directly attributable to the Group's exploration and evaluation and development activities are capitalised in relation to qualifying assets.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Goods and services tax and Value Added Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') or value added tax ('VAT'), except where the amount of GST or VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST or VAT included. The net amount of GST or VAT recoverable from, or payable to taxation authorities is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST or VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to taxation authorities are classified as operating cash flows.

Employee benefits

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average costs over the relevant period of production, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land, and the related expense, is recognised when the land is disturbed.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes by referencing the acquisition cost of assets and liabilities on the date of acquisition and if available the findings of Independent Expert's Reports who prepared a valuation on a recent comparable transaction basis. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Exploration, evaluation and development expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised at cost or fair value, as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases accounting policy

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single measurement recognition and approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group's exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value through other comprehensive income ('FVOCI') – equity investment; or
- fair value through profit or loss ('FVTPL').

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss if:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value through other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity instruments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Changes in significant accounting policies

All new standards and interpretations effective for periods after 1 January 2019 have been adopted by the Group in the preparation of these financial statements and have not had any material effect on the financial statements presented.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are able to be early adopted for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

	12 months to 31 December 2020 \$	6 months to 31 December 2019 \$
NOTE 4 - OTHER EXPENSES		
Audit fees – KPMG audit of financial reports	336,757	232,490
Travel	70,265	191,119
Legal fees	64,158	167,804
Withholding tax expense	2,795,999	-
Other	136,273	432,114
	3,403,452	1,023,527

NOTE 5 - FINANCIAL INCOME AND FINANCE EXPENSE

Interest income	518,573	228,603
Interest expense	(5,268,152)	(2,336,467)
Net change in fair value of investment in associate	-	7,400,232
Foreign exchange gain	1,647,911	5,407,078
	(3,101,668)	10,699,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

	31 December 2020 \$	31 December 2019 \$
NOTE 6 - TRADE AND OTHER RECEIVABLES		
Sales taxes receivable	23,352,812	12,539,843
Trade receivables	94,406,125	84,669,039
	117,758,937	97,208,882

NOTE 7 - OTHER ASSETS

<i>Current</i>		
Prepayments	8,150,977	1,293,301
<i>Non-current</i>		
Prepayments	8,466,970	8,629,570
Other	1,401,239	384,824
	9,868,209	9,014,394

	12 months to 31 December 2020 \$	6 months to December 2019 \$
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NOTE 8 - INCOME TAX EXPENSE

Profit before tax – continuing operations	154,566,675	91,453,910
Prima facie income tax expense/(benefit) at the Australian tax rate of 30% (31 December 2019: 30%)	46,370,003	27,436,173
Increase in income tax expense/(benefit) due to:		
- Effect of tax rates in foreign jurisdictions	(50,130,131)	(28,714,598)
- Non-deductible/non-assessable income	6,249,619	2,002,293
- Effect of deferred tax assets for tax losses not brought to account	(211,341)	123,125
- Effect of net deferred tax assets not brought to account	(1,621,656)	(570,391)
- Effect of foreign currency conversion	211,341	(103,127)
Income tax expense – current and deferred	867,835	173,476

Deferred tax liabilities have been recognised in respect of the following items:

Net deductible temporary differences – property, plant and equipment	55,404,895	55,404,895
	55,404,895	55,404,895

Deferred tax assets have not been recognised in respect of the following items:

Net deductible temporary differences	4,802,482	1,826,485
Tax losses	1,065,326	872,118
	5,867,808	2,698,603

The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits of the deferred tax asset. The Company does not have any franking credits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

	12 months to 31 December 2020 \$	6 months to 31 December 2019 \$
NOTE 9 - PROFIT PER SHARE		
Basic and diluted profit per share have been calculated using:		
Net profit for the year attributable to equity holders of the Company	110,610,841	56,504,374
	N° of shares	N° of Shares
Weighted average number of ordinary shares (basic and diluted)		
Issued ordinary shares at the beginning of the year	1,665,468,329	1,525,495,624
- Effect of shares issued on 14 August 2019	-	105,740,250
- Effect of shares issued on 29 May 2020	211,367,737	-
- Effect of shares issued on 16 June 2020	56,522,197	-
- Effect of shares issued on 14 December 2020	13,569,602	-
- Effect of shares issued on 24 December 2020	1,812,806	-
Weighted average number of shares at the end of the year	1,948,740,671	1,631,235,874

	31 December 2020 \$	31 December 2019 \$
NOTE 10 - INVENTORY		
Inventory – nickel ore stockpiles	661,338	237,071
Inventory – nickel pig iron production raw materials	54,079,991	43,306,276
Inventory – nickel pig iron	6,543,720	12,695,211
	61,285,049	56,238,558

During the year ended 31 December 2020, the Company's 80% subsidiary PT Hengjaya Mineralindo supplied nickel ore to the Company's subsidiaries PT Hengjaya Nickel Industry and PT Ranger Nickel Industry under monthly contracts to supply 100,000 wmt per month between each entity for the year ended 31 December 2020.

Nickel pig iron production raw materials includes nickel ore acquired by PT Hengjaya Nickel Industry and PT Ranger Nickel Industry from PT Hengjaya Mineralindo, operator of the Hengjaya mine. This continues to be valued at the PT Hengjaya Mineralindo cost of production.

Inventories are measured at the lower of cost and net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

	31 December 2020 \$	31 December 2019 \$
NOTE 11 - PROPERTY, PLANT AND EQUIPMENT		
Furniture and fittings		
Furniture and fittings – cost	313,144	173,726
Accumulated depreciation	(99,830)	(58,398)
Net book value	213,314	115,328
Mine infrastructure assets		
Mine infrastructure assets – cost	7,306,786	5,900,493
Accumulated depreciation	(1,356,267)	(1,187,941)
Net book value	5,950,519	4,712,552
Buildings and land		
Buildings – cost	65,843,834	63,285,275
Accumulated depreciation	(5,449,163)	(2,200,715)
Net book value	60,394,671	61,084,560
Mining properties		
Mining properties – cost	31,324,712	27,991,023
Accumulated amortisation	(4,045,761)	(2,540,425)
Net book value	27,278,951	25,450,598
Office equipment		
Office equipment – cost	1,145,295	749,743
Accumulated depreciation	(518,962)	(316,015)
Net book value	626,333	433,728
Plant and machinery		
Plant and machinery – cost	557,548,908	556,552,301
Accumulated depreciation	(51,620,499)	(20,097,968)
Net book value	505,928,409	536,454,333
Motor vehicles		
Motor vehicles – cost	663,136	459,293
Accumulated depreciation	(291,738)	(193,814)
Net book value	371,398	265,479
Total property, plant and equipment	600,763,595	628,516,578

Impairment

After consideration of both internal and external factors, the Directors believe that no indicators of impairment existed at 31 December 2020 and have therefore not completed an impairment assessment over the carrying value of the Group's property, plant and equipment assets at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

	12 months to 31 December 2020 \$	6 months to 31 December 2019 \$
Furniture and fittings		
Carrying amount at beginning of year	115,328	23,784
Additions	139,418	103,815
Depreciation	(41,432)	(12,271)
Net book value	213,314	115,328
Mine infrastructure assets		
Carrying amount at beginning of year	4,712,552	2,359,157
Additions	1,406,293	2,374,449
Depreciation	(168,326)	(21,054)
Net book value	5,950,519	4,712,552
Buildings and land		
Carrying amount at beginning of year	61,084,560	30,055,046
Additions	2,558,560	32,627,666
Depreciation	(3,248,449)	(1,598,152)
Net book value	60,394,671	61,084,560
Mining properties		
Carrying amount at beginning of year	25,450,598	26,264,813
Additions	3,333,690	154,052
Amortisation	(1,505,337)	(968,267)
Net book value	27,278,951	25,450,598
Office equipment		
Carrying amount at beginning of year	433,728	349,763
Additions	395,551	130,496
Depreciation	(202,946)	(46,531)
Net book value	626,333	433,728
Plant and machinery		
Carrying amount at beginning of year	536,454,333	280,713,488
Additions	996,606	270,525,421
Depreciation	(31,522,530)	(14,784,576)
Net book value	505,928,409	536,454,333
Motor vehicles		
Carrying amount at beginning of year	265,479	324,443
Additions	203,843	110,455
Depreciation	(97,924)	(169,419)
Net book value	371,398	265,479
Total property, plant and equipment	600,763,595	628,516,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

	31 December 2020	31 December 2019
	\$	\$
NOTE 12 - TRADE AND OTHER PAYABLES		
<i>Current</i>		
Creditors	33,633,284	50,156,272
Accruals	3,161,092	2,150,921
Other	3,465,385	182,069
	<u>40,259,761</u>	<u>52,489,262</u>

NOTE 13 - BORROWINGS

<i>Current</i>		
Ranger debt facility	<u>12,857,143</u>	<u>4,333,333</u>
<i>Non-current</i>		
Ranger debt facility	<u>32,142,857</u>	<u>60,666,667</u>

Ranger debt facility

In August 2019, as part of the financing package to increase the Company's interest in the Ranger Nickel project from 17% to 60% the Company secured a senior debt facility agreement with a Shanghai Decent associated company. Key terms of the Ranger debt facility agreement are outlined on the following page:

Key terms:

- Facility amount of \$80,000,000.
- Interest rate of 6% plus the greater of (i) 3-month US\$ LIBOR or (ii) 2.5% per annum.
- Interest is payable on the last day of each interest period of one month.
- Principal to be repaid in quarterly instalments by repaying on the last business day of November, February, May and August (beginning on 30 November 2020) an amount equal to 1/15th of the amount borrowed under the debt facility.
- Nickel Mines granted security over its equity interests in Ranger Investment Private Limited, the Singaporean entity which holds a 100% indirect interest in the Ranger Nickel project, and its equity interest in Hengjaya Holdings Private Limited, the Singaporean entity which holds a 100% indirect interest in the Hengjaya Nickel project. Due to acquisition of additional interest in controlled entities, on 30 June 2020 the Company's interest in the Hengjaya Nickel and Ranger Nickel projects increased to 80% in each. Refer to Note 15 for further details.

Prior to 31 December 2020, the Company made prepayments against the Ranger debt facility totalling \$35,000,000 since inception of the loan, which includes \$29,666,667 of voluntary early prepayments and includes \$20,000,000 paid in the year ended 30 December 2020. Prepayments are applied on a pro rata basis against all repayment dates following the prepayment. Subsequent to year end the Company made repayments totalling US\$45,000,000 against the Ranger Debt Facility, extinguishing the Debt Facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

	Number of shares	\$
NOTE 14 - ISSUED CAPITAL		
Ordinary shares on issue at 30 June 2019 - fully paid	1,525,495,624	275,938,304
Issue of shares - cash	139,972,705	40,000,000
Costs of issue	-	(437,256)
Ordinary shares on issue at 31 December 2019 - fully paid	1,665,468,329	315,501,048
Issue of shares - cash	849,560,722	430,033,781
Costs of issue	-	(12,605,694)
Ordinary shares on issue at 31 December 2020 - fully paid	2,515,029,051	732,929,135

Year ended 31 December 2020

In December 2020, through an Accelerated Non-Renounceable Entitlement Offer, the Group issued 386,929,409 shares for cash totalling A\$363,713,644 (equivalent to \$274,927,849). There were no amounts unpaid on the shares issued and share issue costs amounted to \$5,646,064.

In May and June 2020, through an Accelerated Non-Renounceable Entitlement Offer, the Group issued 462,631,313 shares for cash totalling A\$231,315,657 (equivalent to \$155,105,932). There were no amounts unpaid on the shares issued and share issue costs amounted to \$6,959,630.

6 months to 31 December 2019

In August 2019, the Group issued 139,972,705 shares for cash totalling A\$57,388,809 (equivalent to \$40,000,000). There were no amounts unpaid on the shares issued and share issue costs amounted to \$437,256.

Options

There were no options granted, exercised or lapsed unexercised during the year ended 31 December 2020 or the period ended 31 December 2019.

Dividends

The company paid maiden interim unfranked dividend of A\$0.01 per share during the year ended 31 December 2020 amounting to \$15,441,648. There was no dividend paid or declared during the period ended 31 December 2019. Subsequent to year end the Company declared a final dividend of A\$0.02 per share, being a distribution of \$38,987,980.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 15 - CONTROLLED ENTITIES

Acquisition of controlled entities

In June 2020 Nickel Mines notified Shanghai Decent of its intention to exercise its option to acquire a further 20% of the issued and paid-up share capital of Hengjaya Holdings Private Limited and Ranger Investment Private Limited, being the respective Singaporean domiciled holding companies that wholly own PT Hengjaya Nickel Industry and PT Ranger Nickel Industry, the Indonesian PMA companies that in turn own 100% of the Hengjaya Nickel and Ranger Nickel Projects. The acquisitions were completed on 30 June 2020, with the Company paying Shanghai Decent and its nominees US\$120M for the additional 20% interest in the two Projects, plus a settlement of \$23,268,607 for the 20% of the undistributed retained earnings attributable to Shanghai Decent remaining in both PT Hengjaya Nickel Industry and PT Ranger Nickel Industry to the end of April 2020. A final settlement of the undistributed retained earnings at 30 June 2020 of \$3,749,655 was made in September 2020 following the release of the reviewed half year financial statements.

Particulars in relation to controlled entities:

	Ordinary shares – Group interest 31 December 2020 %	Ordinary shares – Group interest 31 December 2019 %
<i>Parent entity</i>		
Nickel Mines Limited		
<i>Controlled entities</i>		
PT Hengjaya Mineralindo (incorporated in Indonesia)	80	80
Hengjaya Holdings Private Limited (incorporated in Singapore)	80	60
Hengjaya Nickel Private Limited (incorporated in Singapore)	80	60
PT Hengjaya Nickel Industry (incorporated in Indonesia)	80	60
Ranger Investment Private Limited (incorporated in Singapore)	80	60
Ranger Nickel Private Limited (incorporated in Singapore)	80	60
PT Ranger Nickel Industry (incorporated in Indonesia)	80	60

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 15 - CONTROLLED ENTITIES (Cont'd)

Non-controlling interests

The following table summarises the information relating to the Group's subsidiaries that have a material non-controlling interest, before any intra-group eliminations.

	Hengjaya Holdings Private Limited and its controlled entities		PT Hengjaya Mineralindo		Ranger Investment Private Limited and its controlled entities	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	\$	\$	\$	\$	\$	\$
Non-controlling interest percentage	20%	40%	20%	20%	20%	40%
Current assets	106,417,123	99,544,279	16,066,904	5,887,486	105,522,401	76,216,530
Non-current assets	319,827,057	336,509,990	39,200,203	31,198,951	306,193,652	322,589,337
Current liabilities	(24,271,607)	(19,833,708)	(9,657,655)	(7,547,875)	(25,007,858)	(26,352,730)
Non-current liabilities	(29,227,624)	(29,219,349)	(38,992,219)	(23,560,781)	(26,188,637)	(26,185,546)
Net assets	372,744,949	387,001,212	6,617,234	5,977,781	360,519,558	346,267,591
Carrying amount of non-controlling interest ⁽²⁾	74,730,150	155,131,585	1,323,446	1,015,006	70,114,545	138,507,036
Revenue	260,273,425	132,292,676	25,139,919	12,829,854 ⁽¹⁾	263,218,988	103,766,484
Profit	72,768,662	48,294,053	1,544,688	1,368,492	77,137,207	38,661,314
Other comprehensive income	-	-	(2,487)	-	-	-
Total comprehensive income	72,768,662	48,294,053	1,542,201	1,368,492	77,137,207	38,661,314
Profit/(loss) allocated to non-controlling interest ⁽²⁾	20,996,983	19,317,621	309,435	(6,087)	21,781,581	15,464,526
Other comprehensive income allocated to non-controlling interest	-	-	(497)	-	-	-
⁽¹⁾ Includes nickel ore sales from the Company's controlled entity PT Hengjaya Mineralindo to the Company's controlled entities PT Hengjaya Nickel Industry and PT Ranger Nickel Industry.						
⁽²⁾ After intra-group eliminations.						

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 15 - CONTROLLED ENTITIES (Cont'd)

Goodwill	12 months to	6 months to
	31 December 2020	31 December 2019
	\$	\$
Opening balance	55,404,895	29,219,349
Goodwill arising on acquisition of Ranger Investment Private Limited	-	26,185,546
	55,404,895	55,404,895

During the year the goodwill balance was allocated to a cash generating unit ('CGU') for impairment testing. The Directors consider there to be no impairment on the basis that the recoverable value, determined based on value-in-use, is higher than the carrying value of goodwill. The underlying cash flows of each CGU (RKEF plant) have outperformed the original valuation prepared for the CGU's on their acquisition.

The key assumptions used in the original cash flow forecasts are set out below:

RKEF Project	Carrying amount of goodwill	NPI production (tpa)	NPI Grade (%)	Nickel Production (tpa)	Nickel Price (p/t)	Cash costs (\$/t)	Discount Rate (%)	Model Period (years)
Hengjaya Nickel	\$29,219,349	150,000	11.0	16,500	\$13,370	\$8,142	10	37
Ranger Nickel	\$26,185,545	150,000	11.0	16,500	\$13,370	\$8,174	10	37

NOTE 16 - DEPOSIT

In October 2020, the Company signed a Memorandum of Understanding ('MoU') and subsequently a Definitive Agreement with Shanghai Decent to acquire a 70% interest in Angel Capital Private Limited, the Singaporean domiciled holding company that wholly owns PT Angel Nickel Industry, an Indonesian PMA company that owns 100% of the Angel Nickel project, a development project within the Indonesia Weda Bay Industrial Park on Halmahera Island in Indonesia's North Maluku province. Subsequent to year end, it was agreed by both parties that the Company's equity participation in the Angel Nickel project would increase to 80%.

Under the amended terms of the Definitive Agreement the Company will acquire an 80% interest in Angel Nickel in accordance with the following staged payments:

- Stage 1 - \$210M by 31 March 2021 to secure an initial 30% interest. In February 2021, the Company completed the Stage 1 acquisition of a 30% interest in Angel Nickel.
- Stage 2 - \$350M by 31 December 2021 to secure a further 50% interest. If the Stage 2 acquisition is completed by 30 June 2021, the purchase price will be discounted to \$344M.

On signing the MoU, the Company paid a \$10M 'good faith deposit' to Shanghai Decent and upon execution of the Definitive Agreement made a further \$20M 'down payment' to Shanghai Decent. In February 2021, the Company completed the Stage 1 acquisition of a 30% interest in Angel Nickel by payment of \$180M which, together with the \$30M deposit which had been paid from existing cash reserves, completed the first acquisition consideration payment of \$210M.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 17 - RELATED PARTIES

Key management personnel of the Group are the following:

Robert Neale	Chairman (Non-Executive)	Norman Seckold	Deputy Chairman
Justin Werner	Managing Director	Peter Nightingale	Director and Chief Financial Officer
James Crombie	Director (Non-Executive)	Weifeng Huang	Director (Non-Executive)
Mark Lochtenberg	Director (Non-Executive)	Dasa Sutantio	Director (Non-Executive)
Yuanyuan Xu	Director (Non-Executive)		

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 31 December 2020. The total remuneration paid to key management personnel of the Group during the year is as follows:

Key Management Personnel compensation

	12 months to 31 December 2020	6 months to 31 December 2019
	\$	\$
Short term employee benefits	937,929	448,785

Key Management Personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities. A number of these entities transacted with the Group during the year. The aggregate value of transactions and outstanding balances (excluding the compensation noted above) relating to key management personnel and entities over which they have control or joint control were as follows:

Norman Seckold and Peter Nightingale hold an interest in an entity, MIS Corporate Pty Limited ('MIS'), which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff both within Australia and Indonesia, rental accommodation, services and supplies, to the Group. On 1 January 2019 MIS agreed to provide these services for a fee of A\$35,000 per month. This fee will be reviewed quarterly by the Company and MIS. Fees charged by MIS during the year amounted to A\$600,625 (6 months to 31 December 2019: A\$290,250) which included the agreed monthly fee and the reimbursement of consultant expenses incurred by MIS on behalf of the Group. At 31 December 2020 A\$16,250 (31 December 2019: A\$15,000) remained outstanding.

Apart from the details disclosed in this note, no Director or other related party has entered into a material contract with the Group during the year and there were no material contracts involving Director's interests subsisting at year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

	12 months to 31 December 2020 \$	6 months to 31 December 2019 \$
NOTE 18 - STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Bank balances	351,445,322	49,820,013
(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities		
Profit from ordinary activities after tax	153,698,840	91,280,434
<i>Non-cash items</i>		
Depreciation and amortisation	36,786,945	16,419,372
Foreign exchange gain	(1,647,911)	(5,407,078)
Interest expense	5,268,152	2,336,467
Net change in fair value of investment in associate	-	(7,400,232)
<i>Changes in assets and liabilities</i>		
Trade receivables and other assets	(27,407,730)	(53,212,581)
Inventory	(5,046,491)	(47,321,083)
Provisions	1,958,305	116,150
Trade and other payables	(13,655,373)	41,397,875
Net cash from operating activities	149,954,737	38,209,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 18 - STATEMENT OF CASH FLOWS (Cont'd)

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities	Equity	Total \$
	Loans and borrowings \$	Share capital \$	
Opening balance at 1 January 2020	65,000,000	315,501,048	380,501,048
<i>Changes from financing activities</i>			
Proceeds from issue of shares	-	430,033,781	430,030,354
Costs of issue	-	(12,605,694)	(12,602,267)
Repayment of borrowings	(20,000,000)	-	(20,000,000)
Repayment of interest	(5,268,152)	-	(5,268,152)
Total changes from financing cash flows	(25,268,152)	417,428,087	392,159,935
<i>Other changes</i>			
Finance expenses	5,268,152	-	5,268,152
Total other changes	5,268,152	-	
Closing balance at 31 December 2020	45,000,000	732,929,135	777,929,135

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The summaries below present information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

	Note	31 December 2020 \$	31 December 2019 \$
Cash and cash equivalents	18	351,445,322	49,820,013
Trade and other receivables	6	117,758,937	97,208,882
		469,204,259	147,028,895

Cash and cash equivalents

The Group mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia, China, Indonesia and Singapore.

Trade and other receivables

Credit risk of trade and other receivables is low as it consists predominantly of nickel ore and nickel pig iron sales. Nickel ore sales are currently all either to the Company's 80% owned PT Hengjaya Nickel Industry or the Company's 80% owned PT Ranger Nickel Industry or and nickel pig iron trade receivables in 2020 were all from sales to one customer, Shanghai Decent and amounts recoverable from Australian and Indonesian Taxation Authorities. None of the Group's material trade and other receivables are past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Consolidated	Carrying amount \$	Contractual cash flows \$	Less than one year \$	Between one and five years \$	More than five years \$
31 December 2020					
Trade and other payables (including tax)	40,257,761	40,257,761	40,257,761	-	-
Borrowings	45,000,000	51,763,571	16,049,196	35,714,375	-
	85,257,761	92,021,332	56,306,957	35,714,375	-
31 December 2019					
Trade and other payables (including tax)	53,141,966	53,141,966	53,141,966	-	-
Borrowings	65,000,000	73,410,278	14,252,033	59,158,245	-
	118,141,966	126,552,244	67,393,999	59,158,245	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding where possible and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

Currency risk

The functional currency in 2020 was assessed as being United States dollars for all group entities. The Group is exposed to foreign currency risks due to the fact that the domestic ore sales of its subsidiaries PT Hengjaya Mineralindo, PT Hengjaya Nickel Industry and Ranger Nickel Industry are in Indonesian Rupiah (although the underlying sale price is denominated in US dollars), liabilities of the Group are denominated in both Indonesian Rupiah and Australian dollars and the issues of shares during the year were denominated in Australian dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Cont'd)

The Group's gross financial position exposure to foreign currency risk at 31 December is as follows:

	31 December 2020		31 December 2019	
	Foreign currency	USD	Foreign currency	USD
IDR				
Cash at bank	IDR 37,420,778,576	\$2,663,401	IDR 46,974,621,253	\$3,383,729
Accounts receivable	IDR 18,000,000	\$1,281	IDR 89,013,638,068	\$6,411,931
Other current assets	IDR 8,233,155,900	\$585,278	-	-
Provisions	IDR 38,927,632,500	\$2,770,651	IDR 11,277,393,345	\$812,346
Taxes payable	IDR 36,141,595,813	\$2,572,356	IDR 8,366,066,505	\$602,634
Trade and other payables	IDR 484,596,425,369	\$34,562,023	IDR 607,578,601,916	\$43,765,792
AUD				
Cash at bank	A\$117,727,957	\$90,579,890	A\$25,390,739	\$17,829,377
Receivables	A\$ 199,924	\$153,822	A\$ 32,131	\$22,562
Trade and other payables	A\$ 128,028	\$98,505	A\$ 362,602	\$254,619
SGD				
Cash at bank	SGD 17,321	\$13,107	-	-

The following significant exchange rates applied during the year:

USD	Average rate		Reporting date spot rate	
	12 months to 31 December 2020	6 months to 31 December 2019	31 December 2020	31 December 2019
IDR	14,513	14,090	14,050	13,883
AUD	1.4474	1.4610	1.2997	1.4242
SGD	1.3791	1.3691	1.3209	1.3450

The following sensitivity analysis is based on the exchange rate risk exposures at balance date. At balance date, if the exchange rate between the United States dollar and the Indonesian Rupiah, the Australian dollar or the Singaporean dollar had moved, as illustrated in the table below, with all other variables held constant, the post-tax loss and equity would have been affected as follows:

Judgement of reasonable possible movements:

	Post tax loss (Higher)/Lower 31 December 2020 \$	Total equity (Higher)/Lower 31 December 2020 \$	Post tax loss (Higher)/Lower 31 December 2019 \$	Total equity (Higher)/Lower 31 December 2019 \$
+ 10% higher USD to IDR exchange rate	(3,551,803)	(3,551,803)	(3,538,511)	(3,538,511)
- 5% lower USD to IDR exchange rate	1,775,901	1,775,901	1,769,256	1,769,256
+ 10% higher USD to AUD exchange rate	9,063,521	9,063,521	1,759,732	1,759,732
- 5% lower USD to AUD exchange rate	(4,531,760)	(4,531,760)	(879,866)	(879,866)
+ 10% higher USD to SGD exchange rate	1,311	1,311	-	-
- 5% lower USD to SGD exchange rate	(655)	(655)	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 19 - FINANCIAL INSTRUMENTS DISCLOSURE (Cont'd)

Interest rate risk

The Group's exposure to market interest rate relates to cash assets.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

		31 December 2020 \$	31 December 2019 \$
Financial assets			
Cash and cash equivalents	18	351,445,322	49,820,013
Financial liabilities			
Borrowings	13	45,000,000	65,000,000

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

	12 months to 31 December 2020 \$	6 months to 30 December 2019 \$
Profit for the year	1,456,327	84,557

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures, where possible, costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 20 - PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 31 December 2020, the parent entity of the Group was Nickel Mines Limited.

	Parent Entity 12 months to 31 December 2020 \$	Parent Entity 6 months to 31 December 2019 \$
Result of the parent entity		
Net profit/(loss)	(5,918,126)	4,355,503
Other comprehensive income	-	-
Total comprehensive profit/(loss)	(5,918,126)	4,355,503
Financial position of the parent entity at year end		
	31 December 2020 \$	31 December 2019 \$
Current assets	321,513,844	24,143,940
Non-current assets	457,091,382	378,549,158
Total assets	778,605,226	402,693,098
Current liabilities	13,099,767	4,732,142
Non-current liabilities	32,142,857	60,666,667
Total liabilities	45,242,624	65,398,809
Net Assets	733,362,602	337,294,289
Equity		
Share capital	732,929,135	315,501,048
Retained profits	433,467*	21,793,241
Total Equity	733,362,602	337,294,289

* During 2020 the Company made a maiden interim dividend payment totaling \$15,441,648 which is included within retained profits.

At balance date, the Company has no capital commitments or contingencies (31 December 2019: \$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 21 - SEGMENT INFORMATION

Segment information is presented in respect of the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period in that geographic region.

Operating segments

For the year ended 31 December 2020, the Group had two segments, being nickel ore mining in Indonesia and the RKEF projects in Indonesia and Singapore.

	Nickel ore mining \$	RKEF Projects \$	Unallocated \$	Total \$
12 months to 31 December 2020				
External revenues	-	(523,492,413)	-	(523,492,413)
Reportable segment profit/(loss) before tax	1,216,424	173,045,571	(19,695,320)	154,566,675
Interest income	90,510	378,840	49,223	518,573
Interest expense	-	55,664	5,212,488	5,268,152
Depreciation and amortisation	1,434,100	34,358,790	994,054	36,786,945
Reportable segment assets	33,097,749	880,065,390	321,513,845	1,234,676,984
Reportable segment liabilities	12,837,122	90,368,329	45,242,624	148,448,075
6 months to 31 December 2019				
External revenues	-	236,059,160	-	236,059,160
Reportable segment profit/(loss) before tax	1,042,957	96,385,556	(5,974,603)	91,453,910
Interest income	9,882	(8,098)	104,338	106,122
Interest expense	-	127,648	2,208,819	2,336,467
Depreciation and amortisation	496,175	15,922,402	795	16,419,372
Reportable segment assets	35,735,798	837,616,883	24,143,940	897,496,621
Reportable segment liabilities	8,716,103	101,262,603	65,398,810	175,377,516

⁽¹⁾ From 1 April 2019, sales of nickel ore are internal to the Group and so are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 21 - SEGMENT INFORMATION (Cont'd)

	12 months to 31 December 2020 \$	6 months to 31 December 2019 \$
Reconciliations of reportable segment revenues and profit or loss		
Profit or loss		
Total profit for reportable segments	174,261,995	97,428,513
Unallocated amounts:		
Net other corporate expenses	(19,695,320)	(5,974,603)
Consolidated profit before tax	154,566,675	91,453,910
	31 December 2020	31 December 2019
Reconciliations of reportable assets and liabilities		
Assets		
Total assets for reportable segments	913,163,139	873,352,681
Unallocated corporate assets	321,513,845	24,143,940
Consolidated total assets	1,234,676,984	897,496,621
Liabilities		
Total liabilities for reportable segments	(103,205,451)	(109,978,706)
Unallocated corporate liabilities	(45,242,624)	(65,398,810)
Consolidated total liabilities	(148,448,075)	(175,377,516)

Geography of reportable segment assets

	Indonesia \$	Singapore \$	Total \$
31 December 2020			
Reportable segment assets	902,697,958	10,465,181	913,163,139
31 December 2019			
Reportable segment assets	873,150,905	201,776	873,352,681

Revenue

All sales during the year were to customers located in either Indonesia or China.

Major customers

All sales of nickel pig iron during the year ended 31 December 2020 were exported sales to Shanghai Decent in China.

All sales of nickel ore during the year ended 31 December 2020 were to the Company's 80% owned subsidiaries PT Hengjaya Nickel Industry and PT Ranger Nickel Industry, under a series of offtake agreements to supply 100,000 wmt per month between each entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 22 - REVENUE

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major production and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Nickel pig iron		Nickel ore	
	12 months to 31 December 2020	6 months to 31 December 2019	12 months to 31 December 2020*	6 months to 31 December 2019*
	\$	\$	\$	\$
Major products	523,492,413	236,059,160	25,139,919	12,829,854
<i>Timing of revenue recognition</i>				
Products transferred at a point in time	523,492,413	236,059,160	25,139,919	12,829,854
Revenue from contracts with customers	523,492,413	236,059,160	25,139,919	12,829,854
External revenue as reported in Note 21	523,492,413	236,059,160	25,139,919	12,829,854

* From 1 April 2019 sales of nickel ore are internal to the Group and so are eliminated on consolidation.

The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances of the entity's contracts with customers.

NOTE 23 - AUDITOR REMUNERATION

During the year ended 31 December 2020, KPMG, the Company's auditor, has not performed any other services in addition to their statutory audit duties.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year and prior period are set out below:

	12 months to 31 December 2020	6 months to 31 December 2019
	\$	\$
<i>Auditors of the Company</i>		
Audit and review of financial reports – KPMG Australia	195,880	170,453
Audit and review of financial reports – KPMG Indonesia	140,877	62,037
	336,757	232,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 24 - SUBSEQUENT EVENTS

- In January 2021, Company secured the right to acquire an additional 10% interest in Angel Nickel. In February 2021, the Company completed the initial acquisition of a 30% interest in Angel Nickel, following payment of \$180M, completing the first acquisition consideration of \$210M.
- At a General Meeting of shareholders held on 19 January 2021, 100% approval for the acquisition of 70% of Angel Nickel was given by shareholders.
- In January 2021, the Company made further voluntary early repayments of the Ranger senior debt facility, fully repaying the outstanding facility amount at 31 December 2020 of \$45M.
- In January 2021, the Company declared a A\$0.02 final dividend for the year ended 31 December 2020. The dividend was paid on 11 February 2021, totalling A\$50.3M (equivalent to approximately \$39.0M).

Other than the matters outlined above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTE 25 - COMMITMENTS AND CONTINGENCIES

There are no contingent liabilities existing at 31 December 2020 (31 December 2019: \$nil)

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Nickel Mines Limited ('the Company'):
 - (a) the consolidated financial statements and notes set out on pages 24 to 57 and the Remuneration report on pages 18 to 21 in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 31 December 2020.

Signed at Sydney this 24th day of February 2021 in accordance with a resolution of the Board of Directors:



Robert Neale
Chairman



Norman Seckold
Deputy Chairman



Independent Auditor's Report

To the shareholders of Nickel Mines Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Nickel Mines Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified were:

- Consolidation of subsidiaries; and
- Acquisition of non-controlling interests.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT



Consolidation of subsidiaries	
Refer to Note 15 Controlled Entities	
The key audit matter	How the matter was addressed in our audit
<p>Nickel Mines Limited consolidates its investments in subsidiaries as outlined in Note 15 to the financial statements. In doing so, they are required to make a number of adjustments to the underlying financial information to ensure alignment to Australian Accounting Standards and the Group's accounting policies.</p> <p>This is a key audit matter because certain adjustments are material and technical in nature.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Interacting with Group management and the relevant component audit team, we developed an understanding of local accounting policies of the subsidiaries and the nature and extent of any accounting standard or accounting policy adjustments required to align with those of the Group's. We sample tested that the adjustments made by the Group were consistent with this understanding; and • Upon receipt of the audited balance sheets and income statement of PT Hengjaya Mineralindo, PT Hengjaya Nickel Industry and PT Ranger Nickel Industry, all incorporated in Indonesia, which are the material subsidiaries in the Group's operations, reperforming management's calculations of adjustments impacting Nickel Mines Limited's consolidated statement of comprehensive income and consolidated statement of financial position, and reperforming management's calculation of adjustments impacting the Group and non-controlling interests share of net profits and comparing to those calculated by the Group.
Acquisition of non-controlling interests (\$147m)	
Refer to Note 15 Controlled Entities	
The key audit matter	How the matter was addressed in our audit
<p>The Group's investment in Ranger Investment Private Limited (Ranger Investment) and Hengjaya Holdings Private Limited (Hengjaya Investment) each increased from 60% to 80% during the financial year. The Group previously had control over each investment and therefore represented acquisition of non-controlling interests.</p> <p>This was as key audit matter due to the size of the transaction as the consideration paid to</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Reading the acquisition agreements to understand the key terms and conditions of the agreements and the obligations of each party to the agreements; • Testing the acquisition consideration to acquire the non-controlling interest to the underlying accounting records of the respective entities;



<p>increase the 20% interest in each investment totalled \$147m.</p>	<ul style="list-style-type: none"> • Testing the acquisition payments made to bank statements; • Verifying the accuracy of the calculation of the change in non-controlling interests, and considering whether the treatment adopted in those calculations complied with the requirements of the accounting standards; • Evaluating the Group's disclosures in the Financial Report against the requirements of accounting standards.
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Other Information

Other Information is financial and non-financial information in Nickel Mines Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Nickel Mines Limited for year ended 31 December 2020, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 18 to 21 of the Directors' report for the year ended 31 December 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Stephen Board
Partner

Brisbane
24th February 2021

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 31 January 2021.

Distribution of Equity Securities

ORDINARY SHARES		
Range	Number of Holders	Number of Shares
1 to 1,000	942	648,333
1,001 to 5,000	1,924	5,299,910
5,001 to 10,000	990	7,718,876
10,001 to 100,000	1,962	63,789,570
Above 100,001	477	2,437,572,362
	6,295	2,515,029,051

The number of shareholders holding less than a marketable parcel is 114.

Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

Nº	SHAREHOLDER	Number of Shares	Total %
1	HSBC Custody Nominees (Australia) Limited	630,403,088	25.07
2	J P Morgan Nominees Australia Pty Limited	349,350,649	13.89
3	Decent Investment International Private Limited	291,281,846	11.58
4	Citicorp Nominees Pty Limited	172,722,190	6.87
5	Shanghai Decent Investment (Group) Co., Ltd	161,696,446	6.43
6	Shanghai Wanlu Investment Co Ltd	121,258,258	4.82
7	PT Harum Energy TBK	118,177,219	4.70
8	Altinova Nominees Pty Limited	60,104,526	2.39
9	Permgold Pty Ltd <The Seckold Super Fund A/C>	57,611,135	2.29
10	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	31,837,274	1.27
11	UBS Nominees Pty Ltd	31,213,980	1.24
12	National Nominees Limited	29,863,865	1.19
13	Peng Lim Oon	18,547,095	0.74
14	Bell Potter Nominees Ltd <BB Nominees A/C>	17,955,112	0.71
15	HSBC Custody Nominees (Australia) Limited – GSCO ECA	16,335,539	0.65
16	CRX Investments Pty Limited	15,068,182	0.60
17	Brispot Nominees Pty Ltd <House Head Nominee A/C>	14,466,867	0.58
18	Rosignol Pty Ltd <Nightingale Family A/C>	12,307,629	0.49
19	QM Financial Services Pty Ltd <The QM Securities A/C>	11,184,553	0.49
20	Zero Nominees Pty Ltd	10,184,365	0.40
Total in Top 20		2,171,569,818	86.34

ADDITIONAL ASX INFORMATION

Substantial Shareholders

Substantial shareholders and the number of equity securities in which it has an interest, as shown in the Company's Register of Substantial Shareholders is:

Shareholder	N° of Shares Held	% of Issued Shares
Shanghai Decent Investment (Group) Co., Ltd	395,466,138	15.72%
PT. Karunia Bara Perkasa	378,395,960	15.05%
BlackRock Group	144,012,902	5.73%
Baillie Gifford & Co	129,551,010	5.15%

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

Tenement Schedule

Project	Tenement number	Interest %
Hengjaya Project	540-3/SK.001/DESDM/VI/2011	80%

Directors:

Robert Neale
Norman Seckold
Justin Werner
Peter Nightingale
James Crombie
Weifeng Huang
Mark Lochtenberg
Dasa Sutantio
Yuanyuan Xu

Company Secretary:

Richard Edwards

Principal Place of Business and Registered Office:

Level 2, 66 Hunter Street SYDNEY NSW 2000

Phone: 61-2 9300 3311

Fax: 61-2 9221 6333

Email: info@nickelmines.com.au

Website: www.nickelmines.com.au

Auditors:

KPMG
Level 16, Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

Share Registrar:

Computershare Investor Services Pty Limited

Level 3, 60 Carrington Street

SYDNEY NSW 2000

Phone: 1300 787 272

Overseas Callers: 61-3 9415 4000

Fax: 61-3 9473 2500

NICKEL

MINES LIMITED

www.nickelmines.com.au

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting ('AGM') of members is to be convened at Level 2, 66 Hunter Street, Sydney, NSW, 2000 on 18 May 2021 at 11.00 am.

Shareholders are encouraged to attend the AGM virtually via a live Zoom webcast and will be able participate in the AGM and ask questions and make comments in relation to the business of the AGM via the Zoom webcast. Shareholders are encouraged to vote by submitting a Proxy Form as all voting will be by way of a poll and shareholders may vote in real time at the AGM via the Zoom webcast.

**Zoom webcast details:
Zoom Meeting ID – 941 6935 7870
Password – 035982
or access at**

<https://zoom.us/j/94169357870?pwd=e1BMMmlySm1tbS81alU1eXY2T3k1UT09>

AGENDA

BUSINESS

To receive and consider the Company's annual financial report, the directors' report and the auditors' report for the year ended 31 December 2020.

To consider and, if thought fit, pass the following resolutions, with or without amendment:

Ordinary Resolution 1. Approval of Remuneration Report

'That the Remuneration Report for the year ended 31 December 2020 be and is hereby adopted.'

Ordinary Resolution 2. Re-election of a Director

'That Weifeng Huang be and is hereby re-elected as a Director.'

Ordinary Resolution 3. Re-election of a Director

'That Peter Nightingale be and is hereby re-elected as a Director.'

Ordinary Resolution 4. Re-election of a Director

'That Yuanyuan Xu be and is hereby re-elected as a Director.'

Ordinary Resolution 5. Re-election of a Director

'That Stephanus (Dasa) Sutantio be and is hereby re-elected as a Director.'

Ordinary Resolution 6. Approval for the Company to acquire a further 10% interest in Angel Capital Private Limited

'That, for the purposes of Listing Rule 10.1 and for all other purposes, approval is given for the Company to acquire a further 10% interest in the 'Angel Nickel Project' through the acquisition of shares and shareholder loans in Angel Capital Private Limited ('Angel') which represents 10% of the equity and 10% of all shareholder loans due or owing by Angel (and/or its subsidiaries), from Shanghai Decent Investment (Group) Co., Ltd. ('Shanghai Decent') and its associates (including Decent Resource Limited), on the terms and conditions summarised in the Explanatory Memorandum accompanying this Notice of Meeting.'

To transact any other business that may be brought forward in accordance with the Company's Constitution.

By order of the Board



Richard Edwards
Company Secretary

9 April 2021

pjn10734

**ANNUAL GENERAL MEETING
TO BE HELD ON 18 MAY 2021**

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to assist members to understand the business to be put to members at the Annual General Meeting to be held at Level 2, 66 Hunter Street, Sydney, NSW, on 18 May 2021 at 11.00 am.

Financial Report

The Financial Report, Directors' Report and Auditor's Report for the Company for the year ended 31 December 2020 will be laid before the meeting. There is no requirement for shareholders to approve these reports, however, the Chairman of the meeting will allow a reasonable opportunity to ask about the content of the Annual Report for the year ended 31 December 2020.

Resolution 1 - Approval of Remuneration Report

The Remuneration Report, which can be found as part of the Directors' Report in the Company's Annual Report for the year ended 31 December 2020, contains certain prescribed details, sets out the policy adopted by the Board of Directors and discloses the payments to key management personnel, Directors and senior executives.

In accordance with section 250R of the Corporations Act, a resolution that the Remuneration Report be adopted must be put to the vote. This resolution is advisory only and does not bind Directors.

The Chairman will allow a reasonable opportunity for shareholders as a whole to ask about, or make comments on, the Remuneration Report.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

The Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the key management personnel of the Company's consolidated group (at the date of the meeting or whose remuneration is disclosed in the remuneration report) ('KMP') and their closely related parties (such as close family members and controlled companies), unless the vote is cast:

- as a proxy for a person entitled to vote in accordance with a direction on the proxy appointment; or
- by the Chairman of the Meeting as a proxy for a person entitled to vote and the proxy appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of KMP.

Resolution 2 - Re-election of Weifeng Huang as a Director

In accordance with Article 15.6 of the Company's Constitution and the Corporations Act, Mr Weifeng Huang retires as a Director by rotation and, being eligible, offers himself for re-election.

Mr Huang has graduated with a Bachelor of Engineering degree from Zhejiang University and a Masters of Business Administration from Zhejiang University.

Mr Huang began his career in several industrial enterprises and has broad management experiences from serving as the Plant Manager of Wenzhou Tractor Plant, the General Manager of Wenzhou Machinery Industrial Corporation, the Vice Mayor of Wenzhou and the Executive Chairman of China Perfect Machinery Industry Corp., Ltd. Mr Huang also served as the Deputy Director of the Management Committee of Shanghai Jinqiao Export Processing Zone, where he was appointed as a Director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd, a publicly-listed company on the Shanghai Stock Exchange and the Deputy CEO of Shanghai Jinqiao Group. Mr Huang was also a former Chairman of the board of Harbin High Tech (Group) Co., Ltd, another publicly-listed company on the Shanghai Stock Exchange.

He was appointed a Director of the Company on 26 April 2018.

Resolution 3 - Re-election of Peter Nightingale as a Director

In accordance with Article 15.6 of the Company's Constitution and the Corporations Act, Mr Peter Nightingale retires as a Director by rotation and, being eligible, offers himself for re-election.

Mr Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants Australia and New Zealand. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for more than 30 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Mogul Mining N.L., Bolnisi Gold N.L, and Planet Gas Limited (now Sky Metals Limited). Mr Nightingale is currently a director of ASX Listed Alpha HPA Limited and Prospech Limited.

He was appointed a Director of the Company on 12 September 2007.

Resolution 4 - Re-election of Yuanyuan Xu as a Director

In accordance with Article 15.6 of the Company's Constitution and the Corporations Act, Ms Yuanyuan Xu retires as a Director by rotation and, being eligible, offers herself for re-election.

Ms Yuanyuan Xu graduated with a Bachelor's Degree in Fashion Business & Fashion Design from Instituto Marangoni. Since graduation, Ms Xu has focused on marketing, public relations and procurement activities.

She is currently an Executive Director of Shanghai Wanlu Investment Co., Ltd.

She was appointed a Director of the Company on 26 April 2018.

Resolution 5 - Re-election of Stephanus Sutantio as a Director

In accordance with Article 15.10 of the Company's Constitution and the Corporations Act, Mr Stephanus (Dasa) Sutantio, who was appointed as a Director on 29 May 2020, is required to retire as a Director and, being eligible, offers himself for re-election.

Mr Sutantio graduated with a Bachelor of Commerce degree from the Australian National University and has been involved in the Asian financial sector for more than 20 years, holding various senior positions at Citibank N.A., Bank Tiara Asia Tbk., the Indonesian Bank Restructuring Agency and PT Bank Mandiri Tbk. He joined the Indonesian Tanito Group in 2010 and is currently a Director and CFO responsible for overseeing the Tanito Group's investments in the financial, mining support, marine logistics/shipping, property and hospitality sectors. Within the Tanito Group, Mr Sutantio is a Director of PT Karunia Bara Perkasa, currently the Company's second largest shareholder.

Resolution 6 - Approval for the Company to acquire a further 10% interest in Angel Capital Private Limited ('Angel').

Background to the acquisition

On 24 November 2020, the Company progressed a non-binding Memorandum of Understanding dated 16 October 2020 and executed a binding Collaboration Agreement ('CA') with Shanghai Decent Investment (Group) Co., Ltd. ('Shanghai Decent') and Decent Resource Limited ('Decent Resource'), a wholly owned subsidiary of Shanghai Decent, to acquire a 70% interest in the Angel Nickel Project in two stages as follows:

- First stage - 30% at a cost of US\$210 million to be finalised by no later than 31 March 2021.
- Second stage - an additional 40% at a cost of US\$280 million to be finalised by no later than 31 December 2021.

The acquisition of the Company's interest in the Angel Nickel Project is by the acquisition of shares in a Singaporean company, Angel Capital Private Limited ('Angel'), and shareholder loans due or owing by Angel (and/or its subsidiaries). Angel will wholly own (directly and indirectly) 100% of the shares in PT Angel Nickel Industry, a private company limited by shares which is incorporated in Indonesia and will own the Angel Nickel Project assets.

This transaction was approved by the Company's shareholders at a General Meeting of shareholders held on 19 January 2021 and the first stage acquisition was completed on 1 February 2021.

On 20 January 2021, the Company signed an amendment to the CA whereby the 70% interest that the Company could acquire in the Angel Nickel Project was increased by an additional 10%, increasing Nickel Mines' total ownership of the Angel Nickel Project to 80% as follows:

- The additional 10% interest forms part of the second stage acquisition, increasing the second stage acquisition percentage from 40% to 50% of Angel with the second stage acquisition to be finalised by no later than 31 December 2021.
- The purchase price for the additional 10% interest is, subject to a discount for an early payment detailed below, US\$70 million (a 100% valuation basis of US\$700 million) - the same basis as the acquisition of the 70% interest.
- Consideration for the second stage acquisition of 50% of Angel increases from US\$280 million to US\$350 million, however, at the Company's election, if the second stage payment is made by 30 June 2021, the second stage acquisition consideration will be reduced to US\$344 million, a discount of US\$6.0 million for early payment.

The Angel Nickel Project is currently under construction within the Indonesia Weda Bay Industrial Park ('IWIP') and comprises:

- four rotary kiln electric furnace lines;
- a captive 380MW power plant; and
- ancillary facilities required for the operation of the RKEF lines and the power plant.

The Company already holds an 80% interest in four operational RKEF lines within the Indonesia Morowali Industrial Park (IMIP), which is another industrial park in Indonesia. Two of these lines form the Hengjaya Nickel Project and two form the Ranger Nickel Project.

The Angel Nickel Project will be owned under a replica corporate structure to the Company's Hengjaya Nickel and Ranger Nickel Projects.

ASX Listing Rules

Under Listing Rule 10.1, an entity must not, without shareholder approval, acquire a substantial asset from a substantial holder in the Company or an associate of a substantial holder. In general terms, Listing Rule 10.2 provides that a substantial asset is one where the value or consideration equals or exceeds 5% or more of the equity interests of the entity as set out in the most recent accounts released to the ASX.

The proposed transaction falls within Listing Rule 10.1.3 because it involves the acquisition of a substantial asset from an associate of a substantial shareholder of the Company. Decent Resource is an associate of Shanghai Decent, a substantial shareholder of the Company currently holding approximately 18.5% of the issued shares in the Company.

ASX Listing Rule 10.5.10 requires that the notice of meeting to obtain shareholder approval must be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders. Lonergan Edwards & Associates Limited provided an Independent Expert's Report which accompanied the notice of the 19 January 2021 General Meeting of shareholders for the approval of the acquisition of the initial 70% interest in Angel and has provided an addendum to that report to address the acquisition of the additional 10% of Angel.

The addendum to the Independent Expert's Report by Lonergan Edwards & Associates Limited is attached to, and forms part of, this Explanatory Memorandum.

Funding of Acquisition

On 30 March 2021 the Company announced that it completed an offering of US\$175 million of Senior Unsecured Notes, maturing 1 April 2024. Proceeds from the Senior Unsecured Notes will be applied, along with existing cash reserves and future earnings from existing operation, to fund the second stage acquisition of Angel Nickel Project.

Independent Expert's Report

In summary, the addendum to the Independent Expert's Report prepared by Lonergan Edwards & Associates Limited opines:

- The transaction is fair and reasonable to the Company's shareholders.
- Excluding the discount for potential early payment, the US\$70 million purchase price for the additional 10% interest is comparable on a pro rata basis to the original transaction with the corresponding value of the additional 10% interest proposed to be acquired by the Company ranging from US\$140 million to US\$150 million.
- The acquisition of an additional 10% interest in the Angel Nickel Project is fair as the consideration payable of US\$70 million is less than the NPV of the Company's additional 10% pro rata share of the estimated future free cash flows from the Angel Nickel Project based on nameplate steady state rates of production, and a reasonable assessment of future nickel prices and operating costs.

The Independent Expert has concluded that the proposed transaction is fair and reasonable.

Shareholders are encouraged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

Board Recommendation

The Board (other than Mr Weifeng Huang) recommends that shareholders vote in FAVOUR of Resolution 6.

Mr Weifeng Huang declines to give a recommendation due to the fact that he is a related party of Shanghai Decent.

If the Resolution is passed, the Company will be able to proceed with the transaction and acquire a further 50% interest in the Angel Nickel Project. If the Resolution is not passed, the Company will only be able to acquire a further 40% interest in the Angel Nickel Project pursuant to the approval given by shareholders at the 19 January 2021 General Meeting of shareholders.

Voting Exclusion Statements

The Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the key management personnel of the Company's consolidated group (at the date of the meeting or whose remuneration is disclosed in the remuneration report) ('KMP') and their closely related parties (such as close family members and controlled companies), unless the vote is cast:

- as a proxy for a person entitled to vote in accordance with a direction on the proxy appointment; or
- by the Chairman of the Meeting as a proxy for a person entitled to vote and the proxy appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of KMP.

The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of Shanghai Decent or any of its associates.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or –
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

ANNEXURE A - INDEPENDENT EXPERT'S REPORT

The Independent Directors
Nickel Mines Limited
Level 2
66 Hunter Street
Sydney NSW 2000

15 February 2021

**Subject: Acquisition from substantial shareholder
Agreement to acquire a further 10% of Angel Nickel Project
Addendum to the Independent Expert Report dated 1 December 2020**

Dear Independent Directors

Introduction

- 1 We refer to our report dated 1 December 2020 in relation to the proposed purchase by Nickel Mines Limited (Nickel Mines or the Company) of a 70% interest in the Angel Nickel Project¹ from Shanghai Decent Investment (Group) Co., Ltd (Shanghai Decent)² for US\$490 million (December 2020 Report). The transaction represented an acquisition from a substantial shareholder and the report was prepared to meet Australian Securities Exchange (ASX) Listing Rules requirements.
- 2 The consideration of US\$490 million was to be payable as to:
 - (a) US\$210 million by 31 March 2021, pursuant to which Nickel Mines would acquire a 30% interest in the Angel Nickel Project (the first payment)³
 - (b) a further US\$280 million by 31 December 2021, pursuant to which Nickel Mines would acquire an additional 40% interest in the Angel Nickel Project (increasing its total interest to 70%).
- 3 In our December 2020 Report we concluded that the proposed transaction was fair and reasonable to the Nickel Mines shareholders. In particular we noted that:
 - (a) based on assumptions we considered to be reasonable and appropriate, the value of 100% of the Angel Nickel Project under the discounted cash flow (DCF) approach

¹ The Angel Nickel Project will after construction, comprise four new rotary kiln electric furnace (RKEF) lines within the Indonesia Weda Bay Industrial Park, together with a captive 380 megawatt (MW) power plant.

² A Tsingshan Holding Group (Tsingshan) group company.

³ On 1 February 2021 the Company announced that it had completed the acquisition of an initial 30% interest in the Angel Nickel Project following early payment of the balance of the first payment.

Authorised Representatives:

Wayne Lonergan • Craig Edwards* • Hung Chu • Martin Hall • Martin Holt* • Grant Kepler* • Julie Planinic* • Nathan Toscan • Jorge Resende

* Members of Chartered Accountants Australia and New Zealand and holders of Certificate of Public Practice.
Liability limited by a scheme approved under Professional Standards Legislation

ranged from US\$1.4 billion to US\$1.5 billion, with the corresponding value of Nickel Mines' 70% interest ranging from US\$1.0 billion to US\$1.1 billion⁴

- (b) the consideration payable of US\$490 million was less than the net present value (NPV) of the Company's pro rata share of the estimated future free cash flows from the Angel Nickel Project based on nameplate steady state rates of production, and a reasonable assessment of future nickel prices and operating costs.
- 4 Furthermore, our analysis indicated that adopting a level of production outperformance for the Angel Nickel Project comparable to that achieved to date at the Hengjaya and Ranger Nickel Projects (around 40% above nameplate capacity), the value of 100% of the Angel Nickel Project would be substantially greater than the values stated above.
- 5 We also noted a number of significant advantages of the proposed transaction from the perspective of Nickel Mines' shareholders and formed a view that there were no obvious disadvantages in connection with the proposed transaction.
- 6 The proposed transaction was strongly supported by Nickel Mines shareholders and approved at the Extraordinary General Meeting held on 19 January 2021.

Acquisition of a further 10% interest in Angel Nickel Project

- 7 On 20 January 2021, the Company announced that it had negotiated to acquire an additional 10% of Angel Nickel, increasing Nickel Mines' proposed total ownership of the Angel Nickel Project to 80%. The additional 10% interest forms part of the second stage acquisition, increasing the second stage acquisition percentage from 40% to 50% (with the second stage acquisition to be finalised by no later than 31 December 2021).
- 8 Subject to a discount for a potential early payment, the purchase price for the additional 10% interest is US\$70 million, this pricing being comparable pro rata to the original transaction. Consideration for the second stage acquisition of 50% of the Angel Nickel Project therefore increases from US\$280 million to US\$350 million. However, at the Company's election, if the second stage payment is made by 30 June 2021, the acquisition consideration will be reduced to US\$344 million, reflecting a discount of US\$6 million for early payment.
- 9 The acquisition of an additional 10% interest in the Angel Nickel Project increases Nickel Mines' total attributable nickel metal nameplate production capacity (inclusive of the Hengjaya and Ranger Nickel Projects' nameplate capacities) to 52,800 tonnes of nickel production per annum.

Purpose

- 10 Consistent with the initial transaction, the proposed acquisition of a further 10% interest in the Angel Nickel Project is with persons in a position of influence under the ASX Listing Rules and requires the approval of Nickel Mines shareholders that are not considered a party to the transaction (the Nickel Mines non-associated shareholders).
- 11 Accordingly, the Independent Directors of Nickel Mines that are not associated with Shanghai Decent have requested that Lonergan Edwards & Associates Limited (LEA) prepare this

⁴ These values were derived based on the nameplate capacity of the Angel Nickel Project.

addendum to our December 2020 Report to opine on whether the acquisition of an additional 10% interest in the Angel Nickel Project is fair and reasonable to the Nickel Mines non-associated shareholders.

- 12 We understand shareholder approval for the acquisition of the additional interest will be sought at the Annual General Meeting in May 2021 and that Nickel Mines shareholders will be provided with a copy of this report prior to the meeting. This report is supplementary to our December 2020 Report and should be read in conjunction with it. The December 2020 Report was provided to Nickel Mines shareholders via a company announcement on 2 December 2020 and with the Notice of Extraordinary Meeting on 18 December 2020.

ASX announcements

- 13 Subsequent to the Extraordinary General Meeting on 19 January 2021, which approved the acquisition of the initial 70% interest in the Angel Nickel Project, the Company has made the following significant announcements regarding its operating performance and financial position:
- (a) 20 January 2021 – negotiation of an additional 10% interest in the Angel Nickel Project, as referred to above⁵
 - (b) 25 January 2021 – tabling of the Quarterly Activities Report for the quarter ended 31 December 2020 (December Quarterly Activities Report)
 - (c) 28 January 2021 – advice of the intention to pay a final dividend of A\$0.02 per share for the year ended 31 December 2020⁶
 - (d) 1 February 2021 – advice that the Company had completed the acquisition of an initial 30% interest in the Angel Nickel Project following early payment of the balance of the first payment. The Company also advised that it had repaid to Shanghai Decent the remaining US\$22.5 million owing under the Ranger Debt Facility and as a result was debt free.
- 14 The December Quarterly Activities Report contained a number of positive operational outcomes for the Company including (inter alia):
- (a) record rotary kiln electric furnace (RKEF) quarterly production from the Hengjaya and Ranger Nickel Projects' operations and corresponding record attributable nickel production for the Company
 - (b) record quarterly sales and related earnings (EBITDA⁷) on a 100% project basis and associated record free cash flow from operations (also on a 100% project basis)
 - (c) record repatriations of funds to the respective project shareholders, including US\$55 million to Nickel Mines.

⁵ This announcement also advised of a revision to the pricing methodology for the sale of nickel pig iron (NPI) produced by the Hengjaya and Ranger Nickel Projects.

⁶ This dividend was subsequently paid on 11 February 2021.

⁷ Earnings before interest, tax, depreciation and amortisation (EBITDA).

- 15 In preparing this supplementary report we have had regard to this operating performance, in particular as it relates to the key operational assumptions adopted in assessing the value of 100% of the Angel Nickel Project under the DCF approach. We have also had regard to movements in actual and forecast nickel prices in the period subsequent to our December 2020 Report⁸.

Valuation of Angel Nickel Project

Valuation approach

- 16 The valuation of the Angel Nickel Project included in the December 2020 Report was based on advice from Nickel Mines that the combined historical operating results of the Hengjaya and Ranger Nickel Projects represented a reasonable proxy for the estimated cash flows expected to be generated by the Angel Nickel Project, but for the following key differences:
- (a) the Angel Nickel Project will comprise four next generation RKEF lines with nameplate annual production capacity of 36,000 tonnes of nickel metal in nickel pig iron (NPI). In comparison, the combined Hengjaya and Ranger Nickel Projects comprise four RKEF lines with annual nameplate production capacity of 30,000 tonnes of nickel metal
 - (b) the Angel Nickel Project will own a captive 380 MW power plant which will provide the benefit of a secure, integrated power supply. This will lower nickel production costs in comparison to the Hengjaya and Ranger Nickel Projects.
- 17 Given the above, the valuation set out in the December 2020 Report was based on the free cash flow projections derived by LEA having regard to, inter alia, the combined historical operating performance of the Hengjaya and Ranger Nickel Projects (as a proxy for the Angel Nickel Project), adjusted where necessary to determine reasonable forecast parameters for the Angel Nickel Project.
- 18 As noted above, the Angel Nickel Project valuation in the December 2020 Report was based on nameplate production capacity (with a range of production sensitivities shown to illustrate the impact of production outperformance above name plate capacity).

Production and operating costs

- 19 As stated above, since the December 2020 Report was prepared Nickel Mines has released its December Quarterly Activities Report. The December Quarterly Activities Report stated that the Hengjaya and Ranger Nickel Projects had:
- (a) record quarterly production of 11,527 tonnes of metal (100% basis), which was 7.7% higher than nickel production in the September quarter
 - (b) record quarterly sales of US\$158.8 million (100% basis), up 16.6% from sales of US\$136.2 million in the September quarter

⁸ As noted in our December report, the Angel Nickel Project will produce NPI and therefore the relevant prices for the Company are NPI prices. Historically the Company has realised NPI prices that reflect an average of around 90% of the benchmark LME nickel price.

- (c) record RKEF quarterly EBITDA of US\$71.6 million (100% basis), up 45.6% from US\$49.2 million in the September quarter⁹
- (d) record underlying free cash flow from operations of US\$71.9 million (100% basis), up 58.0% from US\$45.5 million in the September quarter
- (e) cash costs for the respective projects as follows¹⁰:
 - (i) Hengjaya Nickel Project – US\$7,612 per tonne an increase of 6.6% from the September quarter
 - (ii) Ranger Nickel Project – US\$7,442 per tonne, an increase of 2.5% from the September quarter.

20 Nickel metal production for the Hengjaya and Ranger Nickel Projects was 43.5% above nameplate capacity for the 12 months to 30 September 2020. This outperformance increased to 53.7% above nameplate capacity, in the three months to 31 December 2020.

Nickel pricing

21 Concurrent with Nickel Mines' announcement on 20 January 2021 to increase its right to acquire an additional 10% of the Angel Nickel Project, the Company provided an update to the pricing methodology for the sale of its NPI product, which stated the following:

“Since the execution of Hengjaya Nickel and Ranger Nickel Collaboration Agreements, the dynamics of the nickel market have changed with the pricing of specific nickel products increasingly driven by their own supply/demand fundamentals. This development is now being progressively acknowledged across the nickel industry with a growing propensity to quote and forecast prices of specific nickel products. With the NPI market being very much ‘China-centric’ and with NPI not being an LME deliverable product, the continuing reference to the LME nickel price is no longer considered appropriate.”¹¹

22 Notwithstanding the development of the NPI market and the associated availability of NPI spot prices, very limited information is available about the future pricing of NPI (such as analyst forecasts and forward prices). Further, the historical relationship between nickel prices and NPI prices has been relatively strong. Accordingly, consistent with our December 2020 Report, we have considered the discount between LME prices and the NPI prices received by Nickel Mines over 2019 and 2020 (which was 93% and 86% respectively) when considering an appropriate NPI price. On this basis, a 10% price adjustment discount (as adopted in the December 2020 Report) remains appropriate as at the date of this report.

23 We also note that since the December 2020 Report was prepared spot LME nickel prices have increased by over US\$2,400 per tonne and long term future LME nickel prices have increased by around US\$2,000 per tonne.

⁹ Some of this increase in earnings was attributable to higher NPI prices.

¹⁰ Whilst cash costs for the December quarter increased at both projects, these remain below the equivalent prices adopted for valuation purposes in the December 2020 Report (which were US\$8,000 per tonne).

¹¹ LME is the London Metals Exchange.

Other assumptions

- 24 Based on the information available to us, we have no reason to update or change any of the other assumptions adopted in the December 2020 Report (including the assumptions for corporate and withholding tax, sustaining capital expenditure and working capital).
- 25 We have also reviewed the inputs to our weighted average cost of capital calculation shown in the December 2020 Report and are of the view that there is no reason to update or change this discount rate.

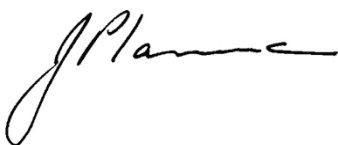
Valuation summary

- 26 Based on the above assumptions, our assessed value of 100% of the Angel Nickel Project under the DCF approach ranges from US\$1.4 billion to US\$1.5 billion. This value range is consistent with the value range for 100% of the Angel Nickel Project assessed in our December 2020 Report. In our view, the recent production outperformance (which has increased in the latest quarterly period) and higher LME nickel prices indicate that this valuation is likely to be conservative.
- 27 The corresponding value of the additional 10% interest proposed to be acquired by Nickel Mines ranges from US\$140 million to US\$150 million.
- 28 Our assessed values are in excess of the US\$700 million value attributed to 100% of the Angel Nickel Project based on the consideration of US\$70 million payable by Nickel Mines to acquire an additional 10% interest in the project¹².

Opinion

- 29 Pursuant to Australian Securities & Investments Commission Regulatory Guide 111 – Content of expert reports (RG 111), a related party transaction is fair if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired. In our opinion the acquisition of an additional 10% interest in the Angel Nickel Project is fair as the consideration payable of US\$70 million is less than the NPV of the Company's additional 10% pro rata share of the estimated future free cash flows from the Angel Nickel Project based on nameplate steady state rates of production, and a reasonable assessment of future nickel prices and operating costs.
- 30 Pursuant to RG 111, a related party transaction is reasonable if it is fair.
- 31 We have concluded therefore that the acquisition of an additional 10% interest in the Angel Nickel Project is fair and reasonable to Nickel Mines shareholders.

Yours faithfully



Julie Planinic
Authorised Representative



Martin Hall
Authorised Representative

¹² In undertaking our assessment we have ignored the potential discount based on payment of the second stage consideration by 30 June 2021.

NICKEL

MINES LIMITED

ABN 44 127 510 589

NIC

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Need assistance?



Phone:

1300 855 080 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:

www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00 AM (AEST) on Sunday, 16 May 2021.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Shareholders who wish to vote in real time at the meeting will be able to do so via the Zoom platform details of which are set out in the Notice of Meeting.

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/we being a member/s of Nickel Mines Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Nickel Mines Limited to be held at Level 2, 66 Hunter Street, Sydney, NSW, 2000 on Tuesday, 18 May 2021 at 11:00 AM (AEST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention in step 2) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Approval of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Weifeng Huang as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Peter Nightingale as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Re-election of Yuanyuan Xu as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Re-election of Stephanus (Dasa) Sutantio as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval for the Company to acquire a further 10% interest in Angel Capital Private Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

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